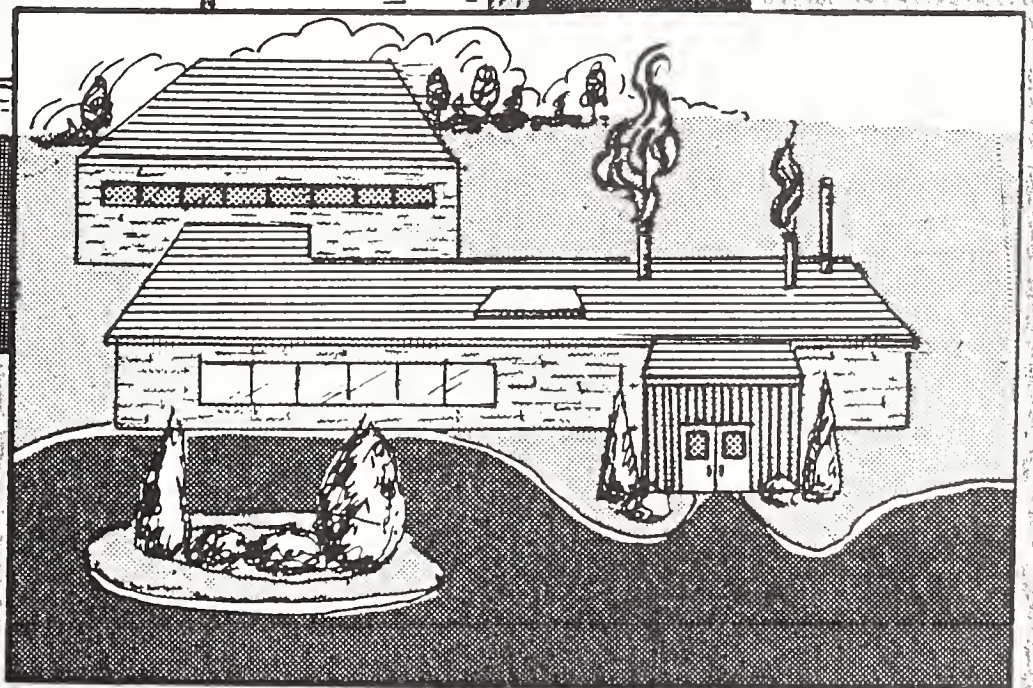
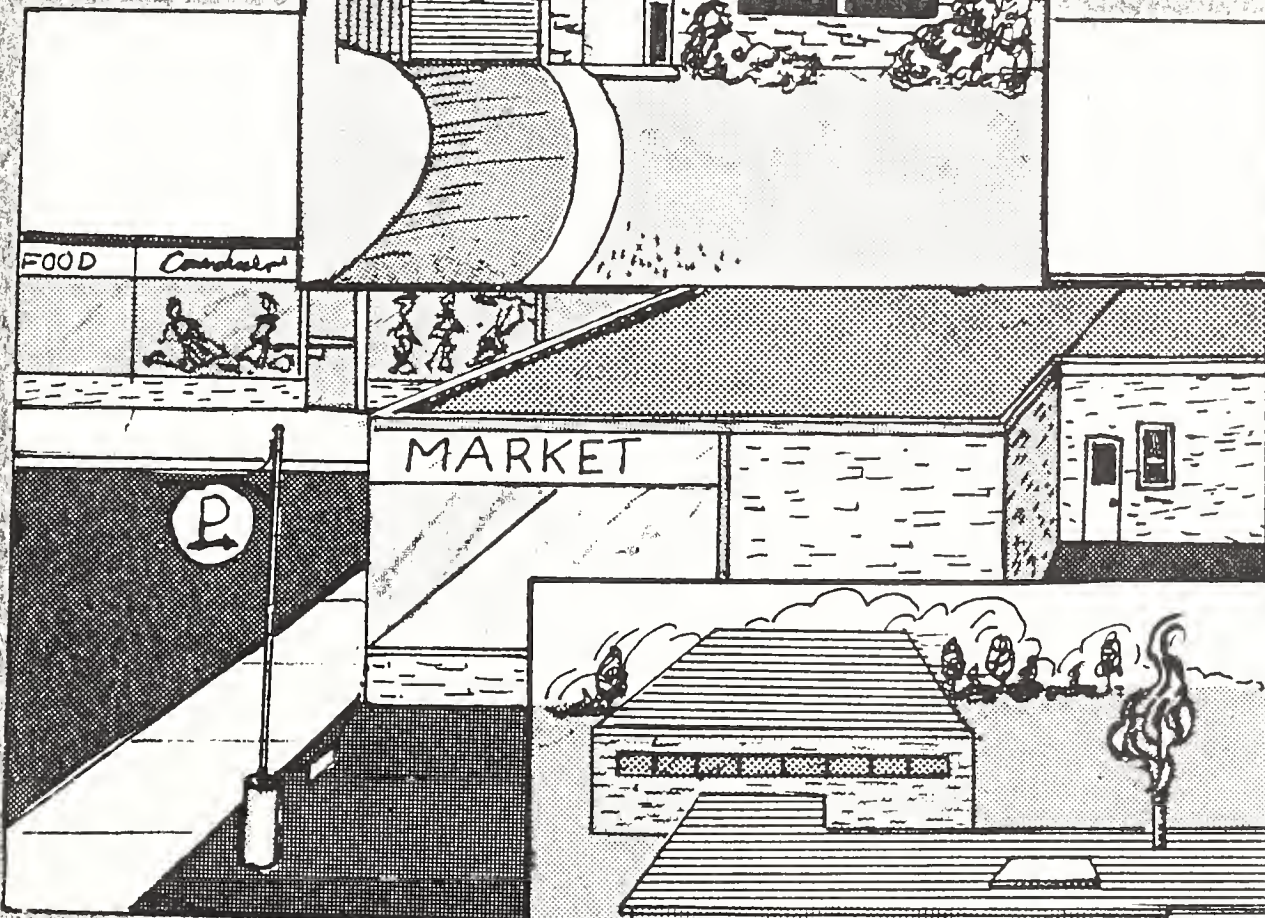
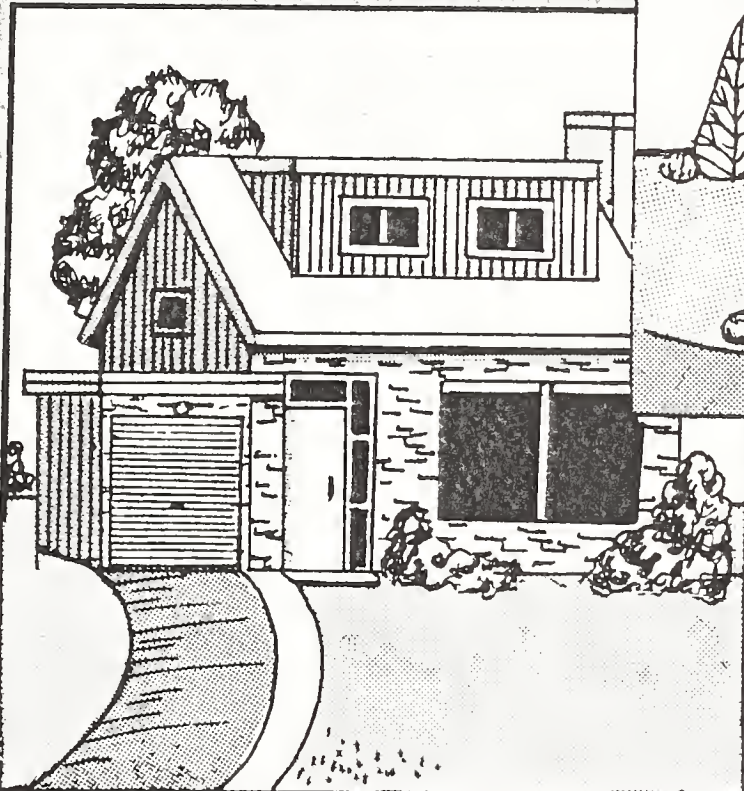
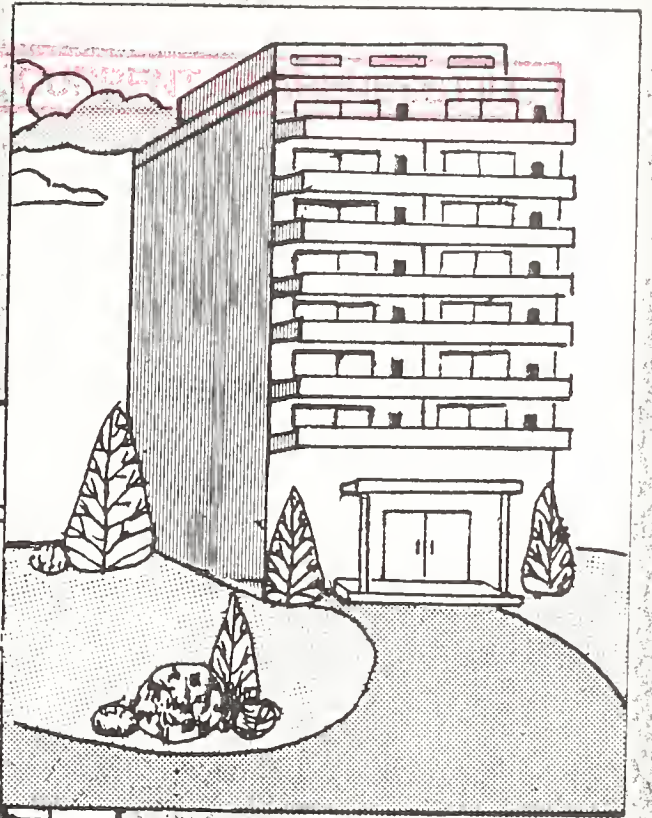


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# Aspects

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**Lorne Maeck**  
Minister

**T. M. Russell**  
Deputy Minister

## ADVISORY COMMITTEE

H. C. Fletcher  
Ottawa-Carleton Regional Office  
1729 Bank Street  
Ottawa, Ontario 613-731-2620

J. A. Smith  
Northumberland-Hastings-Prince Edward Assessment Office  
80 Division Street  
Box 520  
Trenton, Ontario 613-392-2501

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1349 Lasalle Boulevard  
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## Editorial

A highlight of this issue is our interview with Patrick Gillis in which he provides answers to some of the major concerns of assessment staff. In particular, the interview focuses on the implementation of Section 86 of *The Assessment Act* in selective municipalities. The Executive Director gives us his views as to what problems can be solved by this measure — what difficulties still remain.

In contrast to our Ontario position, British Columbia has been able to proceed with its introduction of market value assessment. In this issue, we look at that reassessment program in an article by Assessment Commissioner, Ted Gwartney.

*Aspects* #26 introduces a new and hopefully continuing series of articles written by regional office assessors and highlighting interesting, innovative property concepts across the Province. We begin this feature 'Developments In Property' with two articles. George Hawkes and Z. Majewski of our Scarborough-East York Office have put together an article on Brandywine Village — an example of zero lot line development. From our Huron-Perth Office, we look at Grand Cove Estates — one of the new retirement communities — in a combined effort by Ken Fagan and Clare Lawrence.

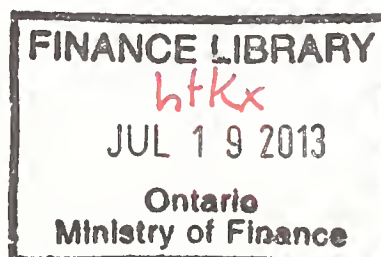
For our regional story, we took advantage of the good weather and northern hospitality and visited the Sleeping Giant in Thunder Bay where we learned what its like to work in an assessment jurisdiction that covers more than one-half the land mass of Ontario.

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# ASPECTS INTERVIEWS P. G. GILLIS

## On Property Tax Reform Here and Abroad

"I think that this lack of municipal interest was one of the considerations when the government decided to postpone the (tax reform) implementation."

### Aspects

The whole question of property tax reform seems to have a North American emphasis now — particularly since California's controversial Proposition 13. What do you think will be the ramification of this vote on Ontario taxation policy?

Association of Municipalities passed 11 separate resolutions calling for tax reform, most of them specifying the need for market value assessment as the only fair base for property taxation. How much do initiatives such as these increase the chance of our being able to implement this program in the near future?

### Mr. Gillis

I don't believe that proposition 13 by itself will have much effect on Ontario or probably any place in Canada. I think there are two essential differences. One is that our style of democracy in Canada doesn't provide for write-in propositions. Essentially the referendum as used by either the federal or a provincial government here consists of the government putting a question to the people rather than the other way around. Of more significance perhaps, is the fact that the provincial governments in Canada provide substantial aid to municipal programs, the net result of which is to keep property taxes considerably lower than those in many of the states in the United States. Essentially, the complaint in California was that property taxes exceeded 3% of market value. The average in Canada is closer to 1 - 1-1/2%. The one exception perhaps is the provinces that allow business assessment. The combination of the real property and the business tax sometimes pushes certain kinds of commercial properties above 3% of the market value of the property. Other than that, I don't think the problems are in any way the same.

### Mr. Gillis

I think one of the problems facing the government during the last couple of years was the fact that there was a fair amount of disinterest or at least what could be construed to be disinterest, on the part of the municipality. A goodly number of municipalities didn't know very much about the tax reform package and didn't spend a lot of time looking at it when the Blair Commission held its hearings around the province. A lot of the municipalities didn't attend or make their feelings known. As late as a few months ago, some really didn't know very much about it. Municipalities that were perhaps most directly involved were those who had representation on the municipal liaison committee, and those who were asked to participate on one of the committees associated with the Blair Commission or the subsequent municipal committee that was set up. I think that this lack of municipal interest was one of the considerations when the government decided to postpone the implementation. The most important reason, of course, was the fact that there was a substantial price tag attached to the implementation of the tax reform package. Indeed, taxes on houses were not going to be allowed to increase at all and the government just didn't have the kind of money to offset lost revenues in the residential property tax sector. I would think that certainly a greater display of interest on the part of the municipalities would be helpful but the main hurdle still has to be overcome and that is, funding the package.

### Aspects

In contrast to the situation in California, there now seems to be increasing pressure on the Province to actually get on with property tax reform here in Ontario. For example, at their recent convention, the

## On Market Value and Equity

"Just seeking out a few isolated assessments and having them raised just adds insult to injury."

"A better solution is to invoke section 86, where you zero in on a particular class of property, and then you correct the inequities in all classes."

### Aspects

In the Minister's address to the Annual Convention of the Institute of Municipal Assessors (Sudbury, June 23rd, 1978) he stated "Market Value is already here in the sense that the courts demand it". Certainly, the courts are now using assessment to market value ratios in arriving at assessments. If market value assessment continues to be delayed, existing inequities can only increase. What is your view on this?

### Mr. Gillis

I think that's true. In most municipalities, if an appeal award is made there is no real way of knowing whether or not that appeal is being treated in isolation from all other valuations or whether or not you're increasing the amount of disparity from one property to another. In most instances, there is probably an increase in disparity. I should think that a good number of municipalities are now starting to get concerned about the state of their tax bases and are paying more attention to them than in the past. I don't think those municipalities are as interested in maintaining equity between classes of property as they are within classes of property. I think that's where the problem lies.

### Aspects

As municipalities become increasingly concerned with gradual erosion of their tax bases through court decisions, a new development has been for municipalities to actually take the initiative in appealing assessments on properties which they consider underassessed. This has happened extensively in Mississauga and Burlington and the idea is spreading. What do you see as the effect of this?

### Mr. Gillis

I don't believe it has a very beneficial effect unless the municipalities made sure they appealed all assessments that were undervalued. Unfortunately, they don't. They

attempt to correct a bad situation by seeking to correct those assessments that reflect the greatest disparity. The unfortunate part of that solution is that they are brought up to the average then they in turn generate their own disparities with other properties. I think it would be pretty frustrating for a home owner to have his assessment appealed, have a 200 or 300 dollar increase in taxes, and then find out that all of his neighbours are paying 50 or 100 dollars less than he is. I think that is the experience in Cambridge and I don't see how it could be different anywhere else. It would be impossible for them to appeal all of the inequitable assessments. Just seeking out a few isolated assessments and having them raised just adds insult to injury.

### Aspects

I had understood that municipalities had been appealing assessments primarily as a method for bringing in line farm land and other large properties rather than residential properties. Is that not true?

### Mr. Gillis

Cambridge did it for residential properties and Mississauga did it for large properties that they felt were undervalued but it's still 6 of one and 1/2 dozen of the other because you're picking on half a dozen properties and trying to do something about them and leaving thousands out of the calculation. That certainly is not the method that ought to be used to correct it. A better solution is to invoke section 86, where you zero in on a particular class of property and then you correct the inequities in all classes. While there's some disparity from one class to another at least similar properties are paying similar kinds of taxes. That certainly would, in my view, be a more appropriate answer in the municipality than just appealing a few properities.

## On the Implementation of Section 86

“... essentially, using section 86 means that you start with market value and adjust that market value down to the existing level in the municipality.”

“it’s difficult to say that section 86 is anything other than a short run solution.”

### Aspects

As an interim solution, the Minister has given municipalities this option of passing a resolution asking the province to make use of section 86 to correct inequities within property classes. A number of municipalities such as Cambridge have expressed interest in this. How satisfactory is this as a short term solution?

### Mr. Gillis

The municipalities around Cambridge in the total region of Waterloo with the exception of the City of Waterloo itself have all passed resolutions. The Minister has said corrective action will be taken under section 86. He also has informed Hamilton and Timmins that the same will apply there. There are another 9 to 10 municipalities that have applied and those are under review at the moment. It is likely that Newcastle will certainly receive the benefit of corrective action under section 86. It’s difficult to say that section 86 is anything other than a short run solution. There’s no question of that because it still maintains the existing disparities in each municipality between one class and another. However, it does have several good things about it. For one thing, it removes the inequities in large measure within a class of properties and secondly, it makes any calculations associated with future tax reform much more viable. At the moment, the mock-ups that have been used to illustrate the potential effects of tax reform are based on measuring the differences between the existing tax base and market value assessment. This means a computer comparison of old and new assessments. Because of the regular change in assessments, ownerships, property splits and property development it has been impossible to make this measure properly. To that extent, all of the figures supplied to the municipalities and all of the figures used for tax reform are suspect. Suspect because it is very difficult to match up the regular turnover and change. Over and above that, we’re never sure whether the coding is good enough to allow perfect matches anyway. If indeed all of the properties within a class were properly valued and equitable then the matchups would be much easier to attain. Also, the measures of the effect of tax reform would be more accurate because essentially, using section 86 means that you start with market value and adjust that market value down to the existing level in the municipality. All the properties that are overassessed are brought down to the average and those underassessed are brought up to the average. So at least intra-class inequities are cured before you proceed with the exercise.

### Aspects

Since some municipalities will be using section 86 to correct inequities and others will not, how will this affect the grant structure?

### Mr. Gillis

It will have no effect on the existing grant structure nor will it have any effect on the apportionments for regional or county governments or school boards simply because the total assessments will be brought back to exactly the same level that exists now. The present total assessment in the municipality will not change as a result of the application of section 86. The grant structure will be exactly the same.

### Aspects

Places like Windsor and Sarnia, for example, won’t be too anxious to implement section 86 unless there are glaring discrepancies within their respective classes of property.

### Mr. Gillis

That is true. It appears on the surface that the assessments in Windsor are fairly equitable with one another. Windsor’s complaint has been that it hasn’t been getting its appropriate share of grants, particularly the resource equalization grant. Sarnia’s complaint is that it is overcharged on its apportionment structure. While both of those complaints are slightly different they both hinge on whether or not the equalization procedure in the province is fair and equitable and the application of section 86 will not affect that.

### Aspects

In terms of implementing Section 86, one question being asked is exactly how property classes are going to be defined. For example, in a major municipality such as Hamilton, would the commercial class be broken down into sub-categories such as shopping centres, strip stores, hotels, etc.?

### Mr. Gillis

It is difficult to know in every instance just how the classes will be treated. Essentially, the idea is to use similar property in the vicinity and that means that properties within a class that have substantial differences in assessed levels probably will be treated as separate classes of property. In any particular individual case, you don’t know that until you’ve analyzed the properties to

determine exactly how they are assessed. Certainly if you look at Toronto against other municipalities, there's a much greater variety in assessed levels within broad classes of property in Toronto than there are in other municipalities. Toronto is at one end of the scale and Newcastle is at the other end of the scale where you need very few property classes. In Toronto, hotels are treated differently than apartment buildings and apartment buildings are treated differently than strip stores and office buildings are different again. You have to examine the tax base in each instance and that will determine to a great extent what your property classes will be.

#### Aspects

Is there any kind of analysis that's going on now to determine what type of shift is going to take place within property classes?

#### Mr. Gillis

In the residential property class for instance each municipality is supplied with a complete printout of the medians so that after the median is applied to the properties there's a report prepared listing properties in ascending order. Each municipality will quickly know the effect on every property.

#### Aspects

The intention of using Section 86 is to correct existing inequities within particular property classes. This conceivably will cause large tax increases or decreases for individual taxpayers. Do you expect that some phase-in program will be necessary and if so, how will phase-in provisions be established?

#### Mr. Gillis

Each municipality is responsible for any phase-in procedures. The phase-in procedures that are available are contained in *The Municipal Act* and generally hinge on whether or not a general revaluation of property has occurred. If indeed it is felt that a general revaluation has occurred and if the municipality chooses to do so, it can pass a by-law under the provisions of *The Municipal Act*

and phase-in the resultant tax increases or decreases. Based on the municipalities that have expressed an interest to date I do not believe that they intend to do any phasing-in. They are being pushed in this direction simply because of the inequities and ratepayers groups that are indeed challenging the tax base. Those that are overvalued and are paying too many taxes I'm sure would not be very happy with a phase-in procedure that would deny them total relief for at least 5 years, particularly after they've fought the councils of the municipalities and others to get some type of action going. However, that is a municipal decision and it's strictly up to them.

#### Aspects

In the 1978 budget, the Treasurer announced that the Property Tax Credit System currently in place would be substantially enriched for senior citizens. However, the enrichment program was tied to the implementation of property tax reform. What now happens to the enrichment program?

#### Mr. Gillis

I don't know but I think that probably no decision has been taken at the moment as to whether they will go forward with that part of the program in isolation from property tax reform. I don't believe there has been any statement and it appears to me anyway the Treasurer probably will not be looking at this problem again until January or February as part of his budget exercise.

#### Aspects

So that would probably mean that existing programs to assist pensioners would remain in effect?

#### Mr. Gillis

As I understand it, there's been no change. It was proposed that there be certain changes and indeed it was proposed that the rebate system be enriched substantially. But that was all tied into property tax reform. Until that property tax reform package is brought back or revised or looked at again, it would appear that that part of the program would not be brought forward. On the other hand, it might.

## On the Future of the Assessment Division

#### Aspects

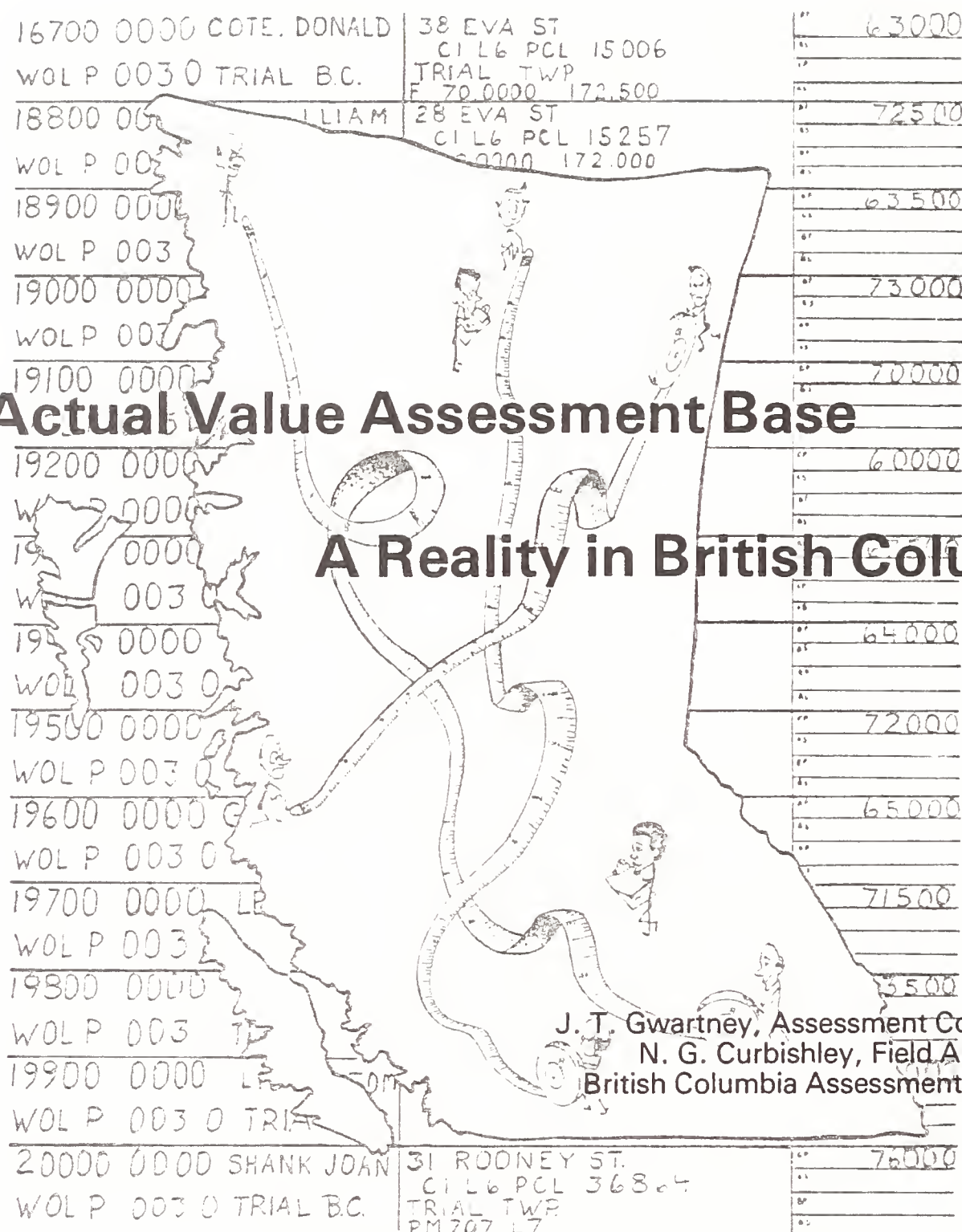
The Premier recently announced a number of substantial government structural changes. From our viewpoint at least, the primary change is the break-up of Treasury, Economics and Intergovernmental Affairs. What effect, if any, do you see this having on the Assessment Division?

#### Mr. Gillis

At the moment, it has none. As I understand it, the Municipal Finance Branch stays with the Treasurer at least in the short run, and as I understand it as well, the

Treasurer has expressed an interest in keeping the tax reform package under his wing until there's further development in respect of it. That being the case, I would think that it would be reasonable that the Assessment Division be left in the Ministry of Revenue. Until the new Ministry that deals with intergovernmental affairs is finally developed I doubt any decision will be taken with respect to the Assessment Division. On the other hand, if the Municipal Finance structure were moved to the new department then it might make some sense to have the Assessment Division go there too. The work they are doing is very closely related to our work and that's where it sits. □

# The Actual Value Assessment Base A Reality in British Columbia



J. T. Gwartney, Assessment Commissioner  
N. G. Curbishley, Field Auditor  
British Columbia Assessment Authority

In 1974 the *Assessment Act* was introduced and enacted in British Columbia. A key provision of this legislation was that property was to be appraised at actual value and that actual value would be shown on the assessment rolls and notices. Companion legislation was also brought into force establishing the British Columbia Assessment Authority as a corporate body to administer the *Assessment Act*. From 1974, when the Authority was established, until the production of the 1978 Assessment Roll, assessment staff valued and recorded the actual value of property. However, legislation remained in force during these years which maintained the old restricted assessed values for taxation purposes. This was necessary as it gave the assessors a chance to inventory and value most of the properties which had not been appraised on an actual

value basis before and it gave the government time to review and analyse the impact of assessment shifts in the taxation structure.

## Administration

The Legislature's Standing Committee on Assessment recommended the establishment of the British Columbia Assessment Authority in their report to the Legislature stating, "This Authority must be independent of the taxing function (both municipal or provincial) and its control must be such as will result unmistakably in complete independence."

The Authority is governed by a six member Board of Directors. Each is appointed for a three year term (two

every year) by the Lieutenant-Governor in Council upon recommendations of the Union of British Columbia Municipalities and the current Authority Board of Directors. The Board appoints the Assessment Commissioner who has overall responsibility for the administration of the *Assessment Act*. The Board has established four Regional Directors and 27 local Assessment Areas, each of which is administered by an assessor and his staff. These replaced 105 former assessing jurisdictions. The head office in Victoria provides data processing services, specialized appraisal assistance, personnel, financial and other technical services. Presently there are over 750 professional appraisers and support staff throughout the province. The Board has responsibility for prescribing standards of professional appraisal competence, developing training programs and providing information on assessment procedures to the public.

Once the administrative machinery had been established in 1975 the main thrust of the assessors' work was the production of uniform and equitable actual values while still maintaining the existing "restricted" assessment roll. This meant that two rolls had to be kept up concurrently. All assessment rolls and notices were produced by a centralized computer system for 1976 and subsequent years. Computer Services also provided a land valuation calculation system, an industrial valuation system, sales analysis, annual market value trending and other support systems.

## Goals and Objectives

Our long term objective is to reinspect all property every four years and to improve the quality of property data inventories and of the appraisals. Actual values are updated annually, based upon property data and sales information maintained in the computerized inventory. Extensive work has been done and is still under way to produce new and better procedures, manuals, maps and records. Assessment rolls, notices, ownership and property records and sales listings have been standardized and most relevant information is now recorded on microfiche. Assessment rolls and sales listings are sold to the public upon request. A new on-line data base assessment information and appraisal system is now under development and will be in place within two to four years.

## The Big Step — The 1978 Assessment Roll

Assessors and appraisers found it frustrating to have to provide actual values which were recorded but not used while the restricted rolls were still in effect. In 1977 major amendments to the *Assessment Act*, and related legislation, were introduced and enacted. The actual value assessment roll was finally authorized after years of inequitable assessments. With the introduction of the actual value roll the government was naturally concerned about the impact of assessment increases and the shift in the tax burden between different categories of property. This was a major problem and residential property would face the largest percentage increase in value. To overcome the politically unattractive aspects of the actual value base the

legislation made provision for taxable assessments to be based upon set percentages of actual value for different classes of property for *school and hospital purposes*. These percentages and classes are set forth by Order-in-Council and may be changed year by year. For the 1978 assessment roll the percentage of actual value at which classes of property were assessed was established after relating the 1977 restricted roll to the actual value roll. These percentages were as follows:

|                                                                 |                     |
|-----------------------------------------------------------------|---------------------|
| Residential                                                     | 15% of actual value |
| Business & Other                                                | 25% of actual value |
| Utilities,<br>Forestry,<br>Machinery & Equipment,<br>Industrial | 30% of actual value |

Farm land will gradually be revalued at a prescribed value for farm purposes. Assessment increases on the residential and business classes are to be phased in over up to a four year period, while any assessment decrease was effective for the 1978 roll.

Municipalities were given the option of accepting one of four different formulas for establishing their *municipal taxable assessment base*. These are shown with the number and percentage of municipalities selecting each option in brackets:

- A. Assessment of land and improvements at the same percentages of actual values with the same limitations on assessment increases as for school and hospital purposes (98; 70%).
- B. The same as A above but with no phase-in of assessment increases (20; 14%).
- C. Assessment of land and improvements at the same percentage of actual values as those determined by the Commissioner to have existed in the municipality on April 1st of the calendar year preceding the calendar year for which the assessment roll is being prepared (5; 4%).
- D. Assessment of land and improvements *at actual value* or at some uniform percentage of actual value specified by municipal by-law (17; 12%).

## Problems Encountered

When this legislation was introduced early in 1977 the basic actual value roll was available, subject to the current reassessment programs new inventory and the annual adjustments for cost and market value changes. The first step in implementation of the legislation was to produce studies comparing actual values to the comparable 1977 restricted assessed values so the Cabinet could have the necessary information on which to base their decision as to classification and assessment level. These computer produced studies were most complex as they had to be produced not only for school purposes, but also for municipal purposes showing the four municipal options. They also had to reflect the phase-in provisions where applicable and the shift in the assessment and tax burdens for both individual properties and classes of property. Another difficulty was the handling of certain fixed exemptions which complicated the comparisons between the two rolls and the phase-in calculation. Mised use of property required allocation of values to the various uses. In addition the full actual value of *improvements* had to be

compared to 75% of the 1977 assessments as these were formerly taxed at 75% of their assessed value while land was taxed at 100%.

When the classes and levels had been tentatively established these studies were produced for every municipality to show the councils the impact of the new legislation on the school tax base and also to show them how the selection of each of the four options would affect the municipal tax base and the different categories of property owners. These studies were presented to all municipalities in August by the area assessors concerned, with complete explanations setting forth the advantages and disadvantages of each option. Finally, by-laws were received from each of the 140 municipalities indicating the option they had chosen.

In the meantime the provincial cabinet reviewed these studies and an Order-in-Council was formally prepared and passed, which agreed fairly closely with the tentative classes and levels on which the studies were based.

A publicity committee was established early in the year and by November the basic work had been completed and a public information plan was put into effect. This consisted of radio and newspaper advertisements and appearances by the Board Chairman, the Commissioner and Assessors on radio talk shows, television and meetings of community groups. An excellent 14 minute animated film was produced for illustrating talks and for distribution to T.V. outlets. Brochures were prepared and enclosed with every assessment notice and more detailed ones were printed for distribution from area offices. The whole theme of the campaign stressed the necessity of an equitable tax base with the slogan "A Fairer Way to Share".

A new assessment notice was prepared setting forth the information required by law in the simplest way possible so that it could be readily understood by every taxpayer. A full explanation of a sample notice was included in the brochure enclosed with the notice. As the province was introducing an entirely new concept in assessment the notices were prepared and distributed about a month ahead of the statutory assessment date of December 31. This allowed the public an extra month in which to query the actual values and property classification and it gave the Assessor extra time to check, resolve and correct most of the problems that arose without taking them through Court of Revision procedures. Three cycles of amended notices were issued for corrections and last minute valuation changes before the end of the year.

Although most appeals to the Court of Revision were on valuation grounds there were a number which challenged the classification designation. These classifications, based upon the Order-in-Council

designations, were generated by the computer system through codes which had existed since 1975. These codes were not compatible with the new classification schedule, consequently compromises had to be made in the allocation of some properties to a class. Another factor that compounded the problem was that the values on a large number of properties had to be allocated between residential, business and industrial use where part of the assessed value was phased in and the remainder was not. As in any classification system there is always room for a difference of opinion between individuals, especially in the grey area which leads to conflicting interpretations of the Order-in-Council or where the wording perhaps was not specific enough. The difficulties of computing an assessment requiring a phase-in became so complex that Assessors were instructed to deal only with Actual Value and assessment calculations were all performed by computer processing.

The Courts of Revision were doubled from one to two, in each school district in anticipation of an increased work load. In British Columbia all appeals to the Court of Revision have to be heard between the last few days in January and the last day of February. Even with the increased membership some of the Courts had difficulty completing their schedule by the end of the month as the number of appeals more than doubled those of an average year. Approximately 16,000 appeals were received involving 24,000 parcels out of a province-wide roll count of 1,000,000 properties. 1,000 of these are being carried further to the provincial Assessment Appeal Board. Most of these appeals are based upon valuation complaints rather than on classification or assessability.

## Overview

It appears that the new actual value assessment base system has been well received and understood by the general public and almost everyone appreciates its long term benefits in achieving and maintaining an equitable tax base.

The tax notices have been mailed recently. While there are complaints in several communities, they seem to be directed at taxes, particularly school taxes. The equalization of school taxes through the basic province-wide levy has shifted tax burden to the more urbanized areas where property values have increased in recent years.

The achievement of an equitable assessment base through an accurate inventory and appraisal of property has been largely achieved in British Columbia but the question of who pays what share of the taxes is still an economic and political problem that will always be with us. □



## REGION 32: SLEEPING GIANT OF THE NORTH

### Aspects Looks at the Kenora-Rainy River-Thunder Bay Regional Office

Photo Credits  
Brent Sutton

The Kenora-Rainy River-Thunder Bay Assessment Region stretches from a point 225 miles east of the City of Thunder Bay west to the Manitoba border, and from the United States to Hudson's Bay from south to north. The largest of all the assessment regions in Ontario, it comprises over half the land mass in the entire province and is a major part of what is commonly termed, in southern Ontario circles, the "North".

The "North" is a land of rocks, forests and lakes relieved only by a paucity of sparsely populated communities. To the Northerners, this is God's country; to the Southerners, it's a wilderness; to the Sportsman, it's paradise; and to the Pantheist, it's heaven. But to the Commissioner, managers and assessors of the Thunder Bay Assessment Office and its affiliate offices in Kenora, Dryden and Fort Frances it means more than that. It's a challenge in assessment and administration.

### Problems, Problems

To the assessment commissioner of a region as vast and as remote as region #32, the major administrative headache is a problem of communication. Dennis Laughlin, Regional Assessment Commissioner for the area, has the task of co-ordinating the assessment of properties under the jurisdiction of four different offices, two of them being a distance of more than three hundred miles apart with a time zone meridian separating them. He has endeavoured to promote effective communication between the main office in Thunder Bay and the managers of the affiliate offices by arranging meetings courtesy of Trans Air and "Ma Bell". Once every two or three months the three managers from Fort Frances, Dryden and Kenora fly to Thunder Bay to meet with the commissioner and managers

there. These same managers also meet regularly about once a week via a Bell Canada conference call machine. The meetings, whether by actual attendance or by telephone, enable the assessment administrators of the region to discuss relevant issues and common problems. Only through modern technology have many of the difficulties of administration brought about by the great distances, been overcome.

Assessors too must learn to cope with the unique problems that accompany assessment in the North. The 38 geographic neighbourhoods in the Thunder Bay office vary from being compact urban area neighbourhoods to those encompassing entire communities accessible only by hundreds of miles of gravel road and dirt track. While most of the work is spread out along the two major highway routes, #11 and #17, places such as Armstrong, Manitouwadge, Red Lake and Pickle Lake also must be visited and assessed.

### Working the lines

The assessors who "work the lines", as they call the assessment of the remote areas, encounter a multiplicity of problems unknown to the majority of assessors in Ontario. The first problem is getting there. Gravel roads, though a necessary evil, do present a major obstacle to space-age travel. With the take-over by the Assessment Division of properties once administered under *The Provincial Land Tax Act* by the Ministry of Natural Resources, it is speculated that assessors in Northern Ontario may have to utilize the services of bush pilots in order to reach some of these newly acquired territories.

Mode of travel notwithstanding, severe weather conditions prevent easy access during the winter

months so that out-of-town work must be accomplished during the warmer seasons. If a community is particularly remote, two trips per year are considered sufficient to handle all pertinent assessment tasks such as supplementaries, 636(a)s, valuation of new structures, and demolitions. These bi-annual excursions may take up to five days, and during Re-assessment, assessors spent as much as two weeks away from home. In order to expedite the task of assessment in an area so that trips from home-base are kept as short as possible, the commissioner at the Thunder Bay office has a policy of sending two or more assessors at a time to the more remote areas. The Dryden office, however, adheres closely to the one assessor/one neighbourhood concept.

Only very good assessors, Mr. Laughlin stressed, are chosen to work the lines. It takes a special kind of assessor to be able to cope with the problems. Often properties are so unique that there is nothing comparable to them for hundreds of miles; markets do not inter-relate; and sales data is non-existent. Market value tends to be an elusive phrase found only on the pages of *The Assessment Act*. Sometimes hundreds of miles from home and from the assessment office, the assessor is removed from any direct assistance or direction by managers or commissioner, and executive decisions must be made.

Assessment difficulties may also arise because corporate ownership in a town generates an unreal market. Towns such as Manitouwadge and Pickle Lake are examples of communities where one mining company has the controlling interest in ownership of properties there. With artificial market conditions, apportioning becomes difficult. Methods utilized to surmount difficulties like these involve assessing by cost and apportioning on the level of market rents from another area with the same level of market.

## Neighbourhood Assessment in the North

Neighbourhood assessment was always a natural administrative structure for northern assessment offices. The Thunder Bay Assessment Region has had geographic neighbourhood assessment in some form or other for quite awhile. According to the commissioner: "It has been in some form of geographic set-up for some number of years. It was refined to this stage last year. Existing neighbourhoods were merely realigned."

Though geographics was not a new concept for the assessment staff, not all assessors had a comprehensive knowledge of all assessment matters. A training programme was initiated to give assessors the well-rounded knowledge they lacked. Valuation experts in mines, grain elevators, saw mills and other property types in the area taught the assessment of these properties to the uninitiated. Last fall, two Friday afternoons per month were devoted to the training of personnel regarding subjects directly related to the work at hand. Data systems, the SAS system and the VAL file were discussed. As every neighbourhood requires an acquaintance with income valuation, those of the staff who hadn't taken the equivalent of the IAAO Introductory Income Course were enrolled. Six to seven months of the year, the office is engaged in some kind of in-service training programme.

"From our point of view, geographics is working well," said Ed Gayoski, Assessment Services Manager in the Thunder Bay Office. Three years ago, Mr. Gayoski, with the aid of the assessment commissioner, initiated a programme of municipal neighbourhood assessment. The clerks at that time, in order to take the load of paper-work off the assessors, were given total responsibility for all up-dating of the ADS sheets and input into the SAS system. The assessors' main task was valuation.



Guess who's going to represent the region at the I.A.A.O. conference in Las Vegas next year?

But Managers Ross Allen, Ed Gayoski, Richard Holmquist, Sam Greer, Jerry Bertand and Donald Webb meet to discuss more important business.

Then a year ago these municipal neighbourhoods were realigned to co-ordinate with the assessors' geographic neighbourhoods. With this change of administration came changes in the clerical functions. The assessors became responsible for the processing of information into the SAS and VAL files; the clerks' function altered to that of an editing position. A period of adjustment followed.

After the initial adjustment was made in accepting a different role with limited responsibility, the clerks in general seemed to be satisfied with the results of neighbourhood assessment. Elaine Garbachewski, a Registry Clerk for the past 10 years, said that one of the positive things about neighbourhood assessment was the fact that "the registry clerk deals with only one individual for any problems that may arise in a township — problems such as ownership discrepancies, legal descriptions, acreages and so on". Loretta Woods and Marianne Lanktree, both Assessment Clerks, liked neighbourhood assessment because, to put it in their words, "You work in one area and are better able to become familiar with the area. This enables you to deal with the problems of that area more efficiently."

Whatever assessment problems arise out of the distances to be covered over this vast region, Larry Anderson, assistant to Ed Gayoski, has his share of them as well. He is the man responsible for the training of the Enumeration Clerks for the entire region. Co-ordinating fifteen training schools for four different assessment offices hundreds of miles apart, within a time period of three weeks provides its own unique brand of complications and demands special solutions. Some years, it is impossible to find people who are willing to do the enumeration in some of the more remote areas. The only recourse is to mail out the MEN forms in the hopes that some will be returned.

However, in spite of all the problems, geographics still remains the only viable solution for the administration of the assessment function in the North.

## The City of Thunder Bay

But with all the talk of remoteness, wilderness and isolation it should not be forgotten that the centre and the hub of this area of 175,762 square miles is the City of Thunder Bay.

### A sound industrial base

This city of some 109,000 people is located strategically at the head of the Great Lakes. The industrial sector of the city accrues the wealth of natural resources around it. As a city possessing a natural harbour, it is famous as a shipping port for grain transported by rail from the West, and for base-ore metals such as iron and nickel from mines in the surrounding hills. All industrial outlets of the wood industry, from the cutting of the wood to the manufacture of paper, are centred in and around the city. Great Lakes and Abitibi are two of the largest paper mills in the area. The Lakehead City is also the home of Canada Car, makers of the double decker GO-train cars that have come to the aid of Torontonians commuters.

### A tale of two towns

Thunder Bay is still a two-town city in the minds of its inhabitants, despite the amalgamation of Port Arthur and Fort William in 1970. This dichotomy is portrayed most visibly in the commercial sector of the city where two completely distinct city cores may be found. The north end is the former Port Arthur; the southern portion was once downtown Fort William. At the present time both retail shopping areas are experiencing urban revitalization. A large two-tier mall, Keskus Mall, has recently been constructed in the Port Arthur section and construction has started on a sizeable facelift of the southern core as well. Once a dormant commercial market, downtown Thunder Bay is now experiencing a marked trend towards increased commercial activity.

Outside of the core itself, neighbourhood plazas and malls cater to the immediate needs of the populace. As the people of Thunder Bay tend to be neighbourhood oriented, the four malls and three plazas in the suburbs provide healthy competition and a shopping complement to the core itself. Shopping patterns are evenly distributed between the two.

### A "mini-Toronto"

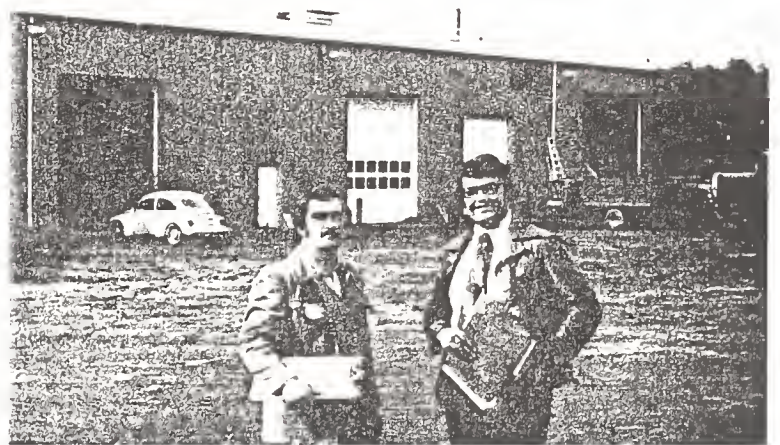
In the mix and match of ethnic communities and neighbourhoods of Thunder Bay, Dennis Laughlin says that it is a "mini-Toronto". Though the largest ethnic community in the area is the Finnish community, there is a sizeable population of Italians and a significant number of other nationalities. The Swedes, the Polish, the French, the Czechs, the Ukrainians and the British, all, at one time or other, have found their way to this little city overlooking Lake Superior.

### The residential side of things

Thunder Bay's residential sector is considered to be a typical Northern Ontario market. Costs are high and as the Royal Trust Survey article in *Aspects* #25 illustrated, the Thunder Bay detached house market has been one of the most rapidly escalating markets in the entire

province over the last four years. In fact, according to Mr. Laughlin, it rose dramatically eight years ago and never stopped. He added that this year is the first year that the market is showing signs of softening and it is only evident in the \$80,000 and over price range.

In all Northern residential communities, the detached home has generally been the most common form of housing. In the more established residential areas of Thunder Bay there is not even a large occurrence of semi-detached dwellings. Only in 1970, when the prices for detached housing rose above the reach of many working families, did the market for semi-detached houses appear. Today this is considered a completely acceptable life-style for many, but the condominium and town housing concepts are just gaining popularity. There are only two apartment condominiums in the whole city and one was a conversion from a rental apartment block to a condominium set-up. The AHOP condominium units sold out practically overnight. Price ranges for condominium units run in the low \$40,000 range; semi-detached in the low \$50,000 range; bungalows in the high 60's and the 2 storey and split level house is over and above that. The residential pattern in Thunder Bay is gradually changing to meet the needs of a developing and expanding community.



How will we cost this structure — as a 40 car garage for Volkswagens or as a 10 car garage for lumber trucks? Peter Shadbolt and Tim Symington contemplate the complexities of a pulp & paper complex.

## Assessing the Sleeping Giant

Across the bay from the city, stretched out in full form against the eastern skyline, is the image which has been a symbol of the Lakehead City since its inception. It is the Sleeping Giant. Tim Symington, P.A. 3, has the unique task of assessing the Sibley peninsula whose geological rock formations together make up this reclining figure. Tim says that Silver Islet, the only town on this peninsula, was a silver mining town in the late nineteenth century. Since the mine's closure, the residents have built the town into a resort. The old hotel, the Jailhouse and many of the original houses with the original owners' names still carved on their doors remain intact. Some of these homes have indoor plumbing; most do not. As much of the peninsula is now Provincial Park land, no hydro lines are allowed on the property. Residents either use propane gas or have their own lighting plants. In summer the 60 campsites in the Park are utilized by visiting tourists or local inhabitants on holiday. An intriguing place to visit means it must be an equally interesting place to assess.

## Digging for Gold

Though the silver mine on the Sibley Peninsula is now long abandoned, the Kenora-Rainy River-Thunder Bay region is amply endowed with mineral wealth. Mining is one of the major industries of the North. The Red Lake-Balmertown Area, one of the few gold mines in Ontario still in operation, is famous for having some of the highest grade ore in the world. Open pit iron mines are found at the Steep Rock Iron Mines and the Calande Iron Mines of Atikokan. The International Nickel Company owns a mine near Shebandowan and other base metal ore mines are located in the Pickle Lake (Umex) and Manitouwadge (Noranda) areas.

Assessing a mining operation is a major task for any assessor, and in the Thunder Bay office, assessing one is often a group affair. The assessor involved, the manager, and sometimes members of the Task Force from the Field Operations Branch travel together to a mining site and work in co-operation with one another in order to obtain an accurate assessment of such a massive operation. It may take up to two weeks to complete the calculations for the assessment of a relatively small and simple mining operation. A more complex one could take up to a month.

Sam Greer, Valuation Manager at the Thunder Bay Office, described in some detail what was involved in the assessment of mining sites.

First of all, a site plan for the mining site is obtained from the company officials operating the mine. The assessment office does all its own measuring of the buildings on the site and classifies them by the Division's Cost Manual. Buildings on a site include office buildings, concentrators, warehouses, storage sheds, the main mill, the head frame, the crusher building, pump houses, the hoist room, conveyors and a multitude of other functional structures.

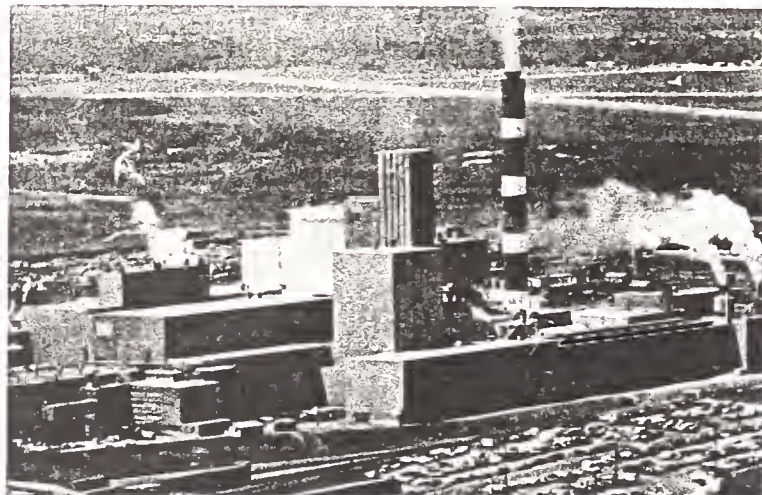
After the buildings are all drawn and classified, they must be costed. A large factor in costing a structure on a mine site is obsolescence. The type of operation in a building is taken into consideration, but experience is essential in order to become expert in establishing an appropriate factor reduction for obsolescence.

The machinery involved in the mining operation is not assessable, but other items on the work site are. Railway trackage owned by the mining company is taxable. The portion of the track owned by a railway company is assessed according to the provisions laid out in *The Assessment Act*. There are also special road costs for mining sites.

The assessment of land on a mining site is based on a figure best simulating the open market value concept of worth. Incorporated in the full assessed land value figure, over-and-above raw land costs which run \$4000/acre in the Thunder Bay area, are the development costs. Development costs include costs for clearing, levelling, fill and general compaction of the site; sewer, water, drainage and hydro connections; legal fees, acquisition and survey costs. The costs for each of these services are obtained by an analysis and study of development costs in general. Area adjustment factors are applied to the total cost figures to be determined by the size of the site. Costs per acre for small sites are going to be higher than similar per unit costs for a larger site.

The only significant court case in recent years in the Thunder Bay area involving a mine site occurred in

1972. The appellant, Campbell Red Lake Mines Incorporated, reasoned that assessed buildings on the site should have a built-in obsolescence factor attuned to the length of the expected life of the mineral resources. The assessment office lost the appeal at the O.M.B. level but the Supreme Court of Ontario reversed the decision.



Ever wonder why the photocopying machine never runs out of paper? Great Lakes Paper Co. Ltd. produces tons of paper annually.

## Timber!

The most valuable of the other natural resources of Northern Ontario is timber. The industrial offshoots of the timber industry take shape in the grandiose paper mill sites that dot the countryside. Great Lakes Paper is one of the biggest paper mill companies in the area. It recently added a \$42 million addition to its plant in Thunder Bay. Abitibi Paper is also located in the Lakehead City; Kimberley-Clark is in Terrace Bay; Reed Paper is in the Town of Dryden; Domtar is at Red Rock; and numerous others are the main industrial employment base in small towns in the area. When the saw mill in Keewatin burned down over ten years ago, the town died. To this day many of its inhabitants remain unemployed.

Assessing a paper mill is very similar to assessing a mine. Site value is comprised of raw land costs added to development costs in the same way as site value is determined for a mining operation. The buildings in a paper mill operation include: a wood room where the logs are barked and cut to size; a causticizing building where the wood is treated by a chemical process; a bleaching plant; paper machine buildings; pulp storage buildings; office buildings; train sheds; boiler houses; and warehouses. The machinery utilized in the manufacturing process is not assessable but the storage tanks are.

## The Grain Coffers of the World

"Precious little." was the reply to the question asked about farming in the Kenora-Rainy River-Thunder Bay area. But the 900 miles of open prairie to the west of this region produces a transportable "gold mine" that is carried to all parts of the world through the grain elevator terminals in the City of Thunder Bay. Most of the terminals are owned by The Saskatchewan Wheat

Pool, Manitoba Pool Elevators and The United Grain Growers Association.

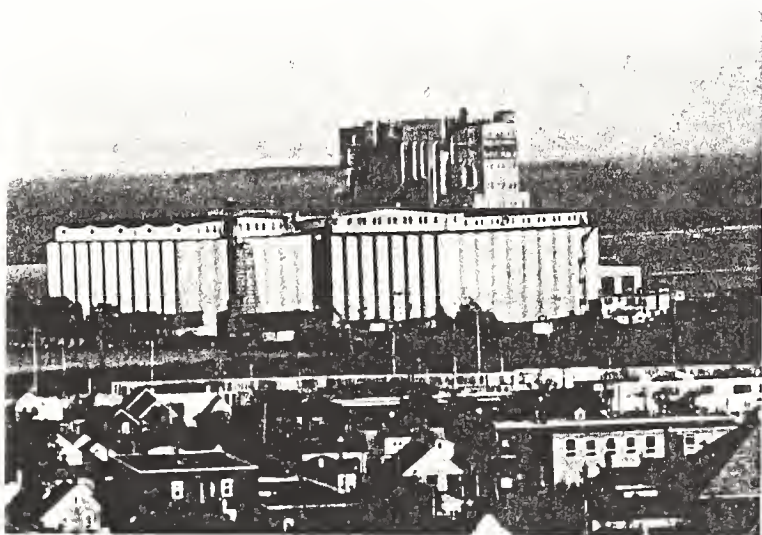
In assessing grain elevators, John Agar, P.A. 3, says that the assessor works in close co-operation with the Thunder Bay Terminal Elevator Association and the C.D. Howe Company, a company which does most of the elevator design and construction in the area.

"Elevators never sell. They become obsolete, then are demolished. But they never sell," says John. For this reason the assessment of grain elevators is not based on a market data approach. However, the cost to build a new elevator gives the assessor a good idea as to its market value. The kink in the armour is that the last new elevator to be constructed in Thunder Bay was more than twenty years ago. The only elevator construction in recent years has been additions to existing ones. When asked about an approximate figure for the cost of building a new elevator, John estimated that, for one with a bushel carrying capacity of 7 or 8 million, it would require a cool \$50 million.

How then are elevators assessed? In fact, they are assessed on a bushel handling capacity, which (by the way) bears no relationship to a replacement cost. The docks and wharfs are assessed separately by the Cost Manual and the land (even the land under water) is also separately assessed according to its market value.

All structures, including the machinery, are assessed on a bushel handling capacity. This includes miles of railway trackage to and from the elevator; automatic dumpers; carrying scoops; two conveyer systems, the upper one which carries the grain to storage in the bins and the lower one which carries it back to be loaded for shipping; the workhouse which cleans and screens the grain and the air; and the bins, each of which holds a different kind of grain.

If it takes a day to be given a guided tour of one of these imposing structures jutting into the waters of Thunder Bay, it requires that much longer to assess. Those at the Thunder Bay office are faced with the challenge of it.



Canada's Parthenon at Thunder Bay.

## Armstrong

Travelling almost directly north from the City of Thunder Bay on a secondary route numbered 527, a healthy four hour journey over 160 miles of gravel road brings one to Armstrong. A former American radar base and presently a Canadian National Railway Town come tourist resort, Armstrong epitomizes the remote northern community. Two general stores (one a Hudson's Bay Store), two service stations (more accurately expressed, two gas pumps), two hotels (one formerly an army barracks), and one restaurant support a community of 140 people. Tim Symington, who does the Armstrong run, says that it is one of the few towns in Ontario where "in three streets you still get the term 'the other side of the tracks' ". "You have to see it to believe it," Tim states. "You have to experience it. It's a different kind of place."

But Armstrong is by no means a forgotten dot on a map at the dead end of a gravel road. It is a small but nonetheless thriving community. The local people, many of whom gain a livelihood from the pulp and paper industry, are transforming this air force base — with its vacant deserted operations buildings and barracks; its obsolete, above-ground central heating system; and its radar screens which sit in almost petrified stillness — into a tourist resort. The barracks are being converted into apartment buildings. A hotel, restaurant and dining room have been opened to accommodate the anticipated tourist trade. Curling rinks and bowling alleys, all built initially for the benefit of the Americans, now provide recreation facilities for the town. Of the 65 radar base buildings, 40 are in use.

The residential and commercial markets are experiencing high activity with a number of sales in the last year due to the influx of new blood from the pulp and paper trade. No lack of market data here. Back of the townsite a new subdivision for non-status Indians is being built. This new subdivision is going to be serviced by Ontario Hydro instead of the CN hydro lines used by most of the area. This in itself may affect land values and hence the market values of these homes.

Community oriented, the inhabitants of this isolated spot organized an Armstrong Development Corporation, obtained a Wintario grant and cleaned up their streets.

Tim makes a minimum of two three-day trips to and from Armstrong, one in the spring and one in the fall. In the Spring he records what has been burned down; in the Fall he picks up the new construction.

Never a dull moment in Armstrong.

## The North

The North: a conglomerate of a thriving port city with its grain elevators and its paper mills; Armstrong — unique, insular and deep in the heart of the wilderness; the mining sites that open and close at the whim of a fluctuation on a Bay Street ticker board; the paper mills with their lean smoke stacks puffing into the pure air; the elevators harbouring their store of golden grain; and the lakes and the forests — wild, virgin, yet accessible by the daring and the adventuresome.

It is God's country; it is a wilderness; it's miles and miles of no civilization; it's isolation; it's cold; but it is also beautiful. □

# Another Look at Value

John Mackie\*

Most courts have a history of narrowly interpreting tax statutes;

"The Principle has often been laid down that taxing acts are to be construed strictly. Where the Legislature has given the crown revenue, that revenue, must be exacted, however burdensome, but where the Legislature has not *clearly* given the crown the revenue, the act cannot be strained or supplemented by any implications in order to effect that object" (Judgement, Attorney-General v Peek and others (1912) 2 K.B. 192 at 208 (italics are mine)).

The need for taxing statutes to be narrowly interpreted attempts to avoid any taxation which is not mandatory. As the legislature is subject to the same imperfections as all humanity, the tax laws they enact are not always clear, but, an additional burden is created when the law concerns value for, as stated by Mr. Justice Danckwerts:

"The result is that (the Judge) must enter into a dim world peopled by the indeterminate spirits of fictitious or unborn sales" (bracket mine) Holt v Inland Revenue Commissioner, (1953) 2 All er 1499; 97 sol J 876.

This indeterminate world of value includes not only the value of property for municipal tax purposes but also value for Succession Duty, Income and Capital Gain taxes and value for compensation in insurance or expropriation. Until recently the value of property for municipal tax purposes had been used as evidence in other cases not involving municipal taxation and this cross-pollination can be expected to continue in the future (see Don V. Lim v M.N.R., D.T.C. 24 1004 as an example).

## Market Value and Fair Market Value

There is a difference in the meaning of "Market Value" which is used in the *Assessment Act* R.S.O. 1970 and the "Fair Market Value" used in the Federal acts for Income and Capital Gain taxes. This difference is recorded in the decisions of the courts but it seems it is not generally understood or recognized. The following decision exemplifies the distinction between the two approaches to value:

"There is some difference of purpose in valuing property for revenue cases and in compensation cases. In the second the purpose is to ensure that the person to be compensated is given full money equivalent of his loss,

while in the first it is to ascertain what money value is plainly contained in the asset so as to afford a proper measure of liability to tax. While the difference cannot change the test of value, it is not without effect upon a court's attitude in the application of the test. In a case of compensation, doubts are resolved in favour of a more liberal estimate, in a revenue case, of a more conservative estimate" Dixon J., Commissioner of Succession Duties (S.A.) v Executor, Trustee and Agency of S.A. Ltd. re Clifford (1947) 74 C.L.R. 358 at 373.

Whether the reader agrees with the learned Judge is not so relevant as is the result that "Market Value" has generally been applied to compensation values and "Fair Market Value" to taxing statutes, with the exception of some statutes such as the *Assessment Act* R.S.O. 1970.

To demonstrate the effect of the difference in the two values the expropriation case of Plouffe v City of Ottawa (1973) 4 L.C.R. 37 presents a good example. After compensating for the real estate at "Market Value" the Land Compensation Board was asked to compensate Mr. Plouffe for the loss of the goodwill in his grocery store which had been expropriated. Price Waterhouse for the City of Ottawa showed that as the store operated at a loss; when the hours of work were considered no prudent person would buy goodwill which did not exist. The Board, however, compensated Mr. Plouffe at \$7,000 for goodwill on the basis that this is the amount that a person wanting a grocery store would have most likely paid Mr. Plouffe.

Excluding arguments as to what is "goodwill" it is apparent that no good reason existed for anyone to pay for the goodwill of a grocery store that was losing money, yet people do do this on the open market. On the open market, people act imprudently and "Market Value" includes such transactions whereas "Fair Market Value" excludes imprudent transactions. To clarify by definition:

"Fair Market Value" is defined or at least accepted for Income and Capital Gain tax purposes as:

"The highest price available in an open and unrestricted market between informed, prudent parties acting at arm's length and under no compulsion to act, expressed in terms of money or money's worth."

The general principle in the court's interpretation of F.M.V. is that the open market includes everyone who has the will and the money to buy, but this general

\*The author is a Municipal Tax Consultant, an accredited valuator, an appraiser and former member of The National Revenue Staff.

principle is limited by an important judicial provision — *the buyer must be a person of reasonable prudence*. (Refer *Holt v. I.R.C.* (1953) 1 W.L.R. 1488; *Findlay's Trustees v I.R.C.* (1938) 22; *Salvesen's Trustees v I.R.C.* (1930) ScLT 387, A.T.C. 437 - 9 A.T.C. 43.)

"Market Value" is defined as:

"The highest price estimated in terms of money which a property would bring if exposed for sale on the open market, by a willing seller, allowing a reasonable time to find a willing buyer, neither buyer nor seller acting under compulsion, both having full knowledge of the uses and purposes to which the property is adapted and for which it is capable of being used and both exercising intelligent judgment".

The court's interpretation of M.V. shares the open market concept of F.M.V. but the court is not guided by the prudence of the transaction — *only that the transaction is representative of what happens in the market*.

It could be suggested that, as the *Assessment Act R.S.O. 1970* is a taxing statute, it should not refer to "Market Value" like compensation acts such as the Expropriation Act of the same year, but to "Fair Market Value" as contained in the other taxing statutes such as the *Income and Capital Gains Act* Chap. 63, S.C. 1970 - 71. One wonders, however, how every property in Ontario could be valued annually at F.M.V. and how the people would react to the difference?

Under a "Fair Market Value" assessment it is likely that previous decisions on assessment cases would need to be re-considered. In *Sun Life Assurance Co. of Canada* (1952) 2 D.L.R. 81,90 and in the *Office Specialty Ltd.* case the courts held;

"... what he (the owner) would be prepared to pay, if he was entering the market, for a building to meet his requirements. ...."

## One Tick Up

In valuation terms both courts considered the owners as special buyers and a part of the open market envisaged in the market value concept. Non-assessment courts have taken a different stand. "One tick up" is an English court expression meaning the owner would not bid against himself and, therefore, would pay only "one tick" more than the price in the general market. To suggest that the owner is the market (as say in single purpose properties) is to ignore the test of competition. . . .

"A survey of these (market value) definitions leads to the opinion that 'value' is the 'price the subject will bring when exposed to the test of competition'." *Richardson v M.N.R.* cited 63 D.T.C. 866.

Perhaps Lord Hailsham said it more eloquently in *I.R.C. v Crossman* (1937) A.C. 26 at 44 at the House of Lords:

"I think it is a fair construction to put upon the learned Judge's statement that the extra sum which could be obtained from trust companies (special buyers) was not an element of value in the open market but rather a particular price beyond the ordinary market price which a trust company would give for special reasons of its own. I do not think it would be right to appreciate the value of (the property) because of the special demand for a special

purpose from a particular buyer". (that in brackets is mine) (see also (1906) 2 K.B. 754 at 763)

Lord Hailsham's statement suggests that Office Specialty would pay only "one tick up" from \$300,000, the agreed market price rather than the \$633,200 decision.

## Merkur and Market

The Merkur case presents another interesting application of value in that it contains statements relevant to both "Market Value" and "Fair Market Value" (Refer *A. Merkur and Sons Limited v Regional Assessment Commissioner, Region Number 14, 7 O.M.B.R.* 287.) At page 297 the O.M.B. was quoted from page 7 of their report:

"The Board finds that actual rents ought to be regarded in so far as they reflect shopping centre market rentals and finds that the method used by Mr. Clark is sound. The evidence clearly indicated that shopping centres are bought and sold upon a consideration of the actual rents obtainable. Mr. Shankland agreed that it is a paradox that shopping centres are bought and sold on this basis but are not so dealt with in his view for market value for assessment purposes. He also agreed that a prospective purchaser might not pay his figure of market value for the property. He stated that the determination of the 100% potential of the property would be discounted in the market place.

The evidence clearly shows that in a shopping centre market the income derived from contract rents is the basis on which properties are bought and sold".

I know of no clearer statement that "Market Value" is what the market does than that contained in the last sentence of the O.M.B. excerpt. The O.M.B., it appears, did not appreciate that Mr. Shankland had applied a notional value to the shopping plaza but in the decision rendered by Steele J. it is apparent the Ontario High Court preferred the notional value quoted from Mr. Shankland as follows: (refer page 296)

"Now I (Mr. Shankland) am quite aware that in the market place income producing properties, and that includes shopping centres, are frequently or commonly bought and sold on the basis of their actual cash rents; that is, the base rents, plus the overages; and so what emerges in the market place is a price being what a typical purchaser, or prudent purchaser, will pay for that income stream.

But if we are to meet the test of market value as defined in the *Assessment Act*, then we must reconstruct the owner's statement, and put the entire statement on typical terms, that is, on market terms, so that we must project the economic rents, we must project the vacancies as derived from the market, we must project the operating expenses which reflect market experience, and we must use a market determined rate. And only when we have satisfied these criteria do we, in my opinion, meet the test of market value as set out in the *Assessment Act*."

I can think of no clearer statement of a "Fair Market Value" than Mr. Shankland's statement in the Merkur case.

The case has been referred back to the O.M.B. by the Ontario High Court and no further decision is known at the time of writing this paper. If the O.M.B. agrees with Mr. Shankland that an arm's length sale is not *prima facie* evidence of the market value, a lot of appraisers and Real Estate Boards are going to be surprised.

Valuators are well aware that the notional "Fair Market Value" of an asset is not the same as its "Market

Value". For example, the listed price of a share on the Stock Exchange is the "Market Value" but, its "Fair Market Value" can only be ascertained after the anomalies between stocks in companies with similar prospects, income, maintainable earnings, reserves, history and management have been removed. Fads are a part of the Stock Market and of the Real Estate market. The "Market Value" of shares is the comparative or competitive price of the shares against other shares and it is the same for Real Estate. To search for rational, prudent or even consistent behaviour from either market is to pursue an illusion and contradicts the search for the "value" on the "market".

It is suggested that if Ontario assessments for property taxes are to relate to a value which does not

"bounce up and down", then the act needs to be changed from "Market Value" to "Fair Market Value". Before contemplating such a change, the authorities would need to weigh very carefully the supposed advantage of assessment stability against the probable animosity of the taxpayer caused by the ambiguity of such a system. In the writer's opinion, the true answer lies in an understanding that *legally* municipal taxes are *not a tax on property, but a tax on the value of the property*. If the value between comparable properties varies, then equity demands that the taxes, and therefore, the assessment, vary in the same proportion. To complain that such a system creates inequity by taxing properties differently is to ignore the fact that it is the value which is taxed and not the physical property. □

## What's New . . .

### in Case Law

The following is an index by section of *The Assessment Act* of the most recent cases distributed to all Regional Offices for the period from May to August of 1978.

Full Case Texts have been sent to all Commissioners and this list is for reference only. These cases will be added to the Case Digest Index to be distributed in November.

#### **Section 1(k)(iv) Real Property, definition of**

Keywords: **Fixture, Walk-in Coolers**

The Corporation of the Town of Meaford and the Regional Assessment Commissioner, Region #25 and Rodney John Lyons (C.A. May/78).

#### **Section 3(12) Exemption**

Keywords: **Charitable Institution**  
*Holiness Movement Church* and the Assessment Commissioner, Region #5 (C. Ct. Jan./78)

#### **Section 7(1) Business Assessment**

Keywords: **Use, Residential**

The Regional Assessment Commissioner, Region #12 and *Northern Telecom Limited* and the Corporation of the Borough of Etobicoke (O.M.B. April/78).

#### **Section 7(1)(b) Business Assessment**

Keywords: **Credit Union**  
*Caisse Populaire North Bay Limitee* and the Corporation of the City of North Bay and the Regional Assessment Commissioner, Region #28 (D. Ct. March/78).

#### **Section 7(1) f(i) Business Assessment**

Keywords: **Agent, Credit Collection**

*Creditel of Canada Limited* and the Regional Assessment Commissioner, Region #19 and The City of Hamilton (A.R.C. July/78).

#### **Section 7(10)(a) Business Assessment**

Keywords: **Rooming House**  
*Extendicare* and the Corporation of the Borough of North York (H.C.J. April/78).

#### **Section 27(1) Commercial Valuation**

Keywords: **Shopping Centre**  
*240953 Developments* Limited and the Regional Assessment Commissioner, Region #19 and The City of Hamilton (A.R.C. July/78).

#### **Section 27(1) Functional Obsolescence**

Keywords: **Over-building**  
The Corporation of the Township of Gloucester and *Rideau Carleton Raceway* (O.M.B. June/78).

#### **Section 27(1) Income Approach** Keywords: **Actual Rent, Economic Rent**

*Tramore* Services Limited and the Regional Assessment Commissioner, Region #19 and The City of Hamilton (A.R.C. July/78).

#### **Section 27(1) Industrial Valuation**

Keywords: **Income Approach, Cost Approach**  
The Regional Assessment Commissioner, Region #14 and *Monsanto* Canada Limited (O.M.B. April/78).

*Westinghouse* Canada Limited and the Regional Assessment Commissioner, Region #23 (O.M.B. April/78).

#### **Section 27(1) Market Value, Interpretation of**

Keywords: **Zoning Restrictions**  
*240953 Developments* Limited and the Regional Assessment Commissioner, Region #19 and The City of Hamilton (A.R.C. July/78).

#### **Section 27(1) Multi-Res Valuation**

Keywords: **Apartment**  
*Collingwood* Place Limited et al and the Regional Assessment Commissioner, Region #16 and the Town of Collingwood (C.J. July/78).

*Tramore* Services Limited and the Regional Assessment Commissioner, Region #19 and The City of Hamilton (A.R.C. July/78).

*Wonsch* Construction and Investments (Essex) Limited, and the Regional Assessment Commissioner, Region #27 and the Corporation of the City of Windsor (O.M.B. May/78).

#### **Section 27(1) Special Purpose Valuation**

Keywords: **Raceway Track**  
The Corporation of the Township of Gloucester and *Rideau Carleton Raceway* (O.M.B. June/78).

#### **Section 43(a) Collector's Roll** Keywords: **Supplementary Assessment, Date Completed**

*Bell* Canada and the Regional Assessment Commissioner, Region #19 and the Corporation of the Town of Stoney Creek (O.M.B. May/78).

#### **Section 90(1) Appeal Procedure** Keywords: **Onus**

*Collingwood* Place Limited et al and the Regional Assessment Commissioner, Region #16 and the Town of Collingwood (C.J. July/78).

#### **Section 90(1) Similar, Definition of**

Keywords: **Commercial Property**  
The Regional Assessment Commissioner, Region #13 and the Corporation of the City of Oshawa and *Downtown* Oshawa Property Owners' Association and Lovell Holdings Limited and G.A. Drew and T.A. Canning, Executors of the A. Drew Estate (S.C.C. June/78).

#### **Section 90(1) Similar/Vicinity**

Keywords: **Commercial Property**  
*Carling-O'Keefe* Limited and the Regional Assessment Commissioner, Region #21 (C. Ct. April/78).

The Regional Assessment Commissioner, Region #13 and the Corporation of The City of Oshawa and *Downtown* Oshawa Property Owners' Association and Lovell Holdings Limited and G.A. Drew and T.A. Canning, Executors of the A. Drew Estate (S.C.C. June/78).

#### Keywords: **Comparable Properties**

*Bagnall*, Kenneth and the Regional Assessment Commissioner, Region #13 and the Corporation of the Town of Uxbridge (O.M.B. June/78).

*Westinghouse* Canada Limited and the Regional Assessment Commissioner, Region #23 (O.M.B. April/78).

*Wonsch* Construction and Investments (Essex) Limited and the Regional Assessment Commissioner, Region #27 and the Corporation of the City of Windsor (O.M.B. May/78).

Keywords: **Municipalities**  
*Bagnall*, Kenneth and the Regional Assessment Commissioner, Region #13 and the Corporation of the Town of Uxbridge (O.M.B. June/78).

Keywords: **Multi-Res Property**  
*Collingwood* Place Limited et al and the Regional Assessment Commissioner, Region #16 and the Town of Collingwood (C.J. July/78).

#### Keywords: **Special Purpose Valuation — Raceway Track Functional Obsolescence — Over-Building**

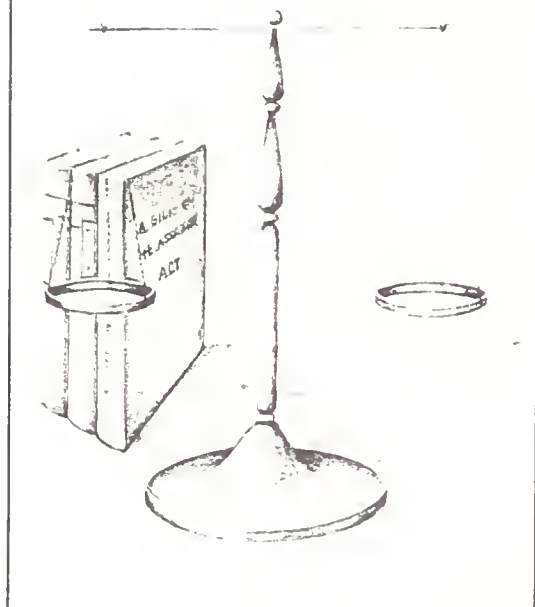
The Corporation of the Township of Gloucester and *Rideau Carleton Raceway* (O.M.B. June/78).

## CASE STUDY

Downtown Oshawa Property Owners' Association et al and the Regional Assessment Commissioner, Region #13.\*

### Where Does "Similarity" Begin and End?

Elaine N. Norval  
Assessment Standards Branch



Section 90 of *The Assessment Act* was introduced in 1971 for the purpose of preventing a tax shift from the commercial, industrial and multi-residential income properties to the single-family residential properties. For the most part this has been accomplished. The legislation has aided substantially in permitting assessors to complete the task of reassessing all properties.

There have been a number of cases dealing with Section 90 and the term "similar real property in the vicinity". The history and legal decisions have been discussed at length in *Aspects* #24, "The Courts' View of Section 90".

Recently a new decision was handed down by the Supreme Court of Canada dealing with Section 90 and the clarification of the interpretation of "similar real property in the vicinity". The decision in the case *Downtown Property Owners' Association et al and the Regional Assessment Commissioner, Region #13*, has been a long time coming. The appeal has been before the courts for eight years, due to the enactment of Section 90.

The only other case of such importance and magnitude to seek clarification of Section 90 was the *Ontario Steel Products Company Limited* appeal in Region #2.

The subject property in that appeal was an industrial complex in Gananoque. The appeal was in respect to both the supplementary and the original assessments. The Ontario Municipal Board reduced the assessment and this reduction was confirmed by the Court of Appeal.

The original appeal was based on the grounds that the property had not been assessed at market value. However, the issues under appeal related directly to Section 90 and its retroactivity and upon whom the onus for proving an inequitable assessment rested.

\*The author wishes to express her appreciation to Mary G. Fitzpatrick, Legal Services Branch, Ministry of Revenue for her comments and help in the preparation of this article.

At the Supreme Court of Canada level, the question of the retroactivity of Section 90 was not resolved. The majority of the court held that it was unnecessary to reach a final conclusion on the matter of retroactivity for this appeal.

All assessments are required to be made firstly at fair market value pursuant to the provision of s. 27. Then if this assessment is to be altered on the grounds that it is inequitable with respect to the assessment of similar real property, the person wishing such alteration must establish such inequity to the Board or Court reviewing the assessment. In the *Ontario Steel Products* case the assessor admitted that the assessment made by him was not at fair market value. Therefore, the Supreme Court of Canada ruled that the onus under s. 90 was on him to show that his assessment was not inequitable with respect to the assessment of similar real property in the vicinity. Since the evidence led by the assessor before the OMB did not relate to the assessment of similar real properties in the Gananoque area, the Court held that the assessor had not met the onus placed on him under s. 90.

The question of the retroactivity of section 90 was once again before the courts in *Downtown Oshawa Property Owners' Association et al*. The Supreme Court of Canada dealt with the question of retroactivity quite specifically, as well as with the meaning of "similar", "vicinity" and to a lesser extent "onus".

The appeal came before the Ontario Municipal Board in November, 1971 with no decision forthcoming until October, 1972.

The properties under appeal in the central business district of Oshawa, known as the Downtown Oshawa Property Owners' Association consisted of older stores, with on-street parking and a great number of individual property owners. There was no large chain store to draw customers to the district.

The property offered by the appellant as a comparable was the Mid-Town Mall. The differences were significant. The Mall at the time of the Ontario

Municipal Board appeal was a new covered mall with central heating and air-conditioning and off-street parking, and a Triple A client.

The issue of the application of section 90 was dealt with decisively. The Supreme Court of Canada stated that as this appeal concerned taxes for the year 1971, and as section 95 stated "that for the purpose of a pending appeal which would affect taxes for 1971 to 1974, section 90 shall continue in force for those appeals". Therefore, section 90 applied to this appeal and there was no question of retroactivity in this appeal.

The Ontario Municipal Board decision in November, 1972 dealt with the interpretation of "similar" and "vicinity". The subject properties were compared to the Mid-Town Mall. Four points of comparison were discussed. These were as follows:

- i) Physical Qualities
- ii) Functional Qualities
- iii) Ownership Status of Occupants
- iv) Use

i) *Physically* the properties differed in that the comparable property was a heated, air-conditioned covered mall with off-street parking. The subject properties were adjoining a public sidewalk, with parking on the street.

ii) *Functional* — the comparable property was 2 years old at the time of appeal, while the subject properties were between 50 - 80 years old.

iii) *Tenant/Occupant* — The comparable property had one owner with a large number of tenants including a Triple A client.

The subject properties had a great number of individual owners occupying individual buildings. There was no chain store to draw customers.

iv) *Use* — The only similarity the Board found was in the use. Both contained a mix of commercial property within a defined geographic boundary. The Board held that the comparable was not similar real property within the meaning of section 90.

The appellant did not satisfy the Board as to the existence of an inequity in assessment when compared to similar real property in the vicinity.

This decision was appealed to the Court of Appeal, the highest level of court in Ontario, on the following grounds:

- i) The Ontario Municipal Board erred in defining similar as "physically similar" when the use of both the subject and the comparable was substantially the same.
- ii) The OMB erred in holding that section 90 is retroactive.

The appeal by *Downtown Oshawa Property Owners' Association* was allowed by the Court of Appeal on both grounds. The assessment was then remitted to the Ontario Municipal Board for rehearing in the light of the decision that the assessment was to be based upon market value and that section 90 would not apply to it.

The proviso that section 90 did not apply to the appeal meant that it was not necessary to compare the subject property to "similar real property in the vicinity", but to apply the general principle of market value to the assessment as per section 27(1) of *The Act*.

The appeal was brought before the Supreme Court of Canada and the decision handed down on June, 1978 overruled the Court of Appeal decision thereby reinstating the Ontario Municipal Board decision.

The Supreme Court of Canada stated that the question to be addressed was not whether section 90 was to be retroactively applied but whether section 95 permitted section 90 to be applied. Section 95 provided that s. 90 should cease to be in force on the 1st day of October 1974 but then further provided,

"... but shall continue in force for the purpose of a pending complaint, appeal, proceeding or action which will affect taxes for the years 1971 to and including 1974". (s. 95).

In light of this the court stated that,

"as the appeal concerns taxes for 1971 section 90 still applies."

The Court went on to state,

"Therefore, the Board in considering the appeal of the *Downtown Oshawa*, (the present respondents) had to determine whether such an inequity existed (and) had to be concerned with 'the assessment of similar real property in the vicinity'."

While it was agreed by all parties to the Appeal that the comparable, Mid-Town Mall, was "in the vicinity", the O.M.B. considered that it was not similar property to that under appeal.

Mr. Justice Spence in handing down his decision disagreed with the finding of the Court of Appeal stating:

"I cannot understand the test there set out (in the O.M.B. decision) to be limited to the physical attributes."

and further

"I find that the Board considered many points of comparison between the two sets of properties and on the basis of the consideration of them all came to the conclusion that the properties were not similar."

In holding that the O.M.B. had not erred in principle in applying the words "similar property in the vicinity" Mr. Justice Spence continued,

"It was not the intention of the Legislature to permit during these years 1971 to 1974 the regular course of correction of the assessment rolls to permit a reflection of market value and, therefore, the lack of similarity between the market value and the assessed value could not be the subject of a successful assessment appeal."

This decision has two important implications. Firstly, in bringing comparables to court it must be ascertained that the properties are of the same general nature, character or function and that similarity is in no way limited to physical attributes.

The second point is that an appeal on the sole basis that an assessment has not been made in accordance with s. 27 will not in itself be a successful appeal where the court or board considering such appeal is to be guided by s. 90 in making its decision. For such an appeal to be successful the appellant must meet the added burden of showing that the assessment is inequitable with respect to the assessments of similar real property in the vicinity. □



# Dealing With Deals:

## The Mechanics of Sales Analysis

C. Harnanan  
J. T. Glen

Credit must be given to Messrs. H. Brendel, I. Dean, J. Stark, and Mrs. I. Harnish, all members of the Income Group who have all contributed in some measure to the ideas embodied in the paper. Special thanks must also go to Messrs. R. Malcolm, P. Watson, J. Ross, M. Parfeniuk, R. Bailey, J. James, J. Watson, S. Mauntah and many others who have given useful suggestions and criticisms in formulating the thoughts and methodology to be used for sales analysis.

### Preface

This article is the second in a series to be written on issues related to valuation of income-producing properties. In the first article in this series entitled *Dealing with Deals*, data collection and classification of sales were discussed. This article focuses on the problems of comparison and adjustment of sales. The underlying theme of this article is the purpose to which all sales analysis is devoted — valuation. To that end comparability is generally defined in terms of similarity for income-producing purposes, although other uses or functions will be alluded to.

### Criteria for Comparability

The criteria for comparing sales transactions may be divided into two types — those which are specific to the transaction itself and those which are independent of the transaction. See Figure 1.

#### Transactional Criteria

In comparing two or more sales the time *when* the transaction took place is vital. Generally the date of registration is preferred over the date of the sales agreement.<sup>1</sup> Secondly, the question of *what* interests were transferred (freehold or leasehold, land and/or building, owner's and/or tenants') is highly relevant to establishing sales comparability. For most residential sales these two criteria alone are sufficient to establish similarity of transactions.

For other types of property, other criteria may have to be examined. The principals *who* were involved in a transaction may be important in comparing sales of

FIGURE 1

#### Criteria for Sales Comparability

| <i>Transactional</i> | <i>Non-Transactional</i> |
|----------------------|--------------------------|
| When                 | Where                    |
| What (Interest)      | What (Physical)          |
| Who                  |                          |
| Why                  |                          |
| How                  |                          |

income-producing properties. As well, the reason *why* a vendor sells or a purchaser buys may be significant when attempting to compare farm, commercial and industrial sales transactions. Finally, the manner in which the consideration involved in the transaction was paid (in other words *how* was the sale financed) may be a vital concern when comparing some property sales.

#### Non-Transactional Criteria

Probably the most important non-transactional criteria for comparing sales is location (*where* a property is situated). A second significant measure of comparison is the physical characteristics of the site and improvements which describe what was sold. Most sales comparison studies concentrate heavily on these two non-transactional criteria.

## Problems of Achieving Sales Comparability for Income-Producing Properties

### Transactional Criteria

Over any given period of time the number of sales of income-producing properties is likely to be considerably less than those for single-family residential properties. This particular phenomenon may lead to reliance on very few sales with all the problems associated with small samples.

Another problem which the sales analyst may find is that a sale of an income-producing property may not involve a transfer of all the various types of interests. Usually only the owner's interest in leased premises is sold. The existing tenants may continue to occupy part or all of the property for a considerable period of time beyond the sale date. This restricts the uses to which a new owner might put the property and limits the income which can be expected. In essence, then, the sale may not reflect the total value of the property. A complete transfer of all interests would have to reflect the amount paid for the owner's interest plus what the tenant would charge to terminate his lease.

A second type of interest (intangible) which may be involved, especially with sales of commercial properties, is that of goodwill. If the purchaser is buying a business as well as a property the sale of goodwill may influence sales comparability.

In many instances, the principals involved in the sales of income-producing properties may be connected in a business or corporate sense. If such a link does exist, this may be revealed when the partnership and/or corporation registers are examined.<sup>2</sup> Where the sale is intercorporate, the consideration mentioned may not reflect a true value for the property.

There are many reasons why income-producing properties are sold. Both the vendor and purchaser have their own motives. If the purpose of the transaction is land assembly or speculation, the sale may indeed be comparable to other sales where similar motivation applies, but will not be comparable to a sale where the primary justification for purchase was buying an income stream. The problem in this case is identification of the various motives of buyers and sellers. Since these motives are likely to vary more with sales of income-producing properties than with sales of residential or farm properties, a thorough investigation may be necessary.

The financing of sales transactions for income-producing properties involves considerations not usually found in other types of property. These include bond and debenture financing, income participation mortgages, variable interest rates, non-amortizing or balloon mortgages and principal and interest payment (or repayment) based on foreign currencies. These features of mortgage financing influence sale prices of income-producing properties and hence affect comparability.

### Non-Transactional Criteria

The problem of a relatively small number of income-producing property sales in the temporal sense is compounded by the lack of transactions specific to a

given location. Some small municipalities may have only one apartment building sale in a given year. This shortage of sufficient comparable sales in a given locality has always plagued valuers of income properties.

The issue of comparing what has sold is especially complex in income properties because of the many variations in structural and/or improvement design. Also, the practice of certain owners of negotiating land leases of long duration frequently means that buildings may sell independently of the land on which they sit. Invariably, sales include chattels and equipment which may form an integral part of the properties intended use. All these factors complicate comparisons of sales of this type.

## Sales Analysis

Two basic steps are involved in sales analysis. They are stratification and adjustment. The aim of these steps is the derivation of measures of comparison which can be used to value unsold properties.

### Stratification

The procedure for stratification of income property sales employs the various criteria for comparability discussed previously. The first set of criteria outline standards according to which comparability of sales transactions may be established. Essentially, arms-length sales where the motivation involves the purchase of an income stream are those which are to be preferred for the development of capitalization rates or a gross income multiplier. Land values, on the other hand, are best established by examining sales where the motivation is land assembly or redevelopment.

The second set of criteria upon which stratification may be done is non-transactional. These essentially describe characteristics such as property use and design (which allow broad grouping of properties into categories such as shopping centres, offices, hotels, apartments or industrial). Within each broad property classification further obvious distinctions can be made to reflect size (i.e. segregating neighbourhood, community and regional shopping centres, or walk-up apartments from high-rise apartment buildings).

Additional physical characteristics such as age, condition and location are often relevant to the stratification process.

Stratification is the most important procedure in sales analysis, and, as an alternative, it is always preferable to adjustment. The only case where adjustment should be considered is if the available number of arms-length transactions is too small or if the adjustment is simple and defensible.

Before adjustment is considered the use of various measures of comparison should be attempted. These measures can serve to identify possible restructuring of the groups already used or may suggest extreme cases which warrant further investigation. The types of units of comparison vary according to property type.

For multiple-residential properties, the unit of comparison may be sale price per suite; for office buildings it would be per square foot (or metric equivalent); for retail establishments, per square foot leasable area; and so on. Sometimes it becomes

somewhat awkward to use these units of comparison because of vast differences in the physical size of the properties, and it is necessary to use another unit of comparison, based not on physical but monetary attributes. Some such units can be the ratio of gross income to sale price, ratio of gross rent to sale price, and the ratio of net operating income to sale price. In the mass appraisal context, units of comparison based on the monetary attributes and units of comparison based on physical attributes are both widely used.

## Overcoming Lack of Comparability by Adjustment

### Transactional Adjustments

The simplest (and most acceptable) type of adjustment involves subtraction or elimination of non-real property items from the sale transaction. For example, the value of chattels could be subtracted from the total sale price so that the remainder would reflect the value of the real property which had sold.

What are chattels? Broadly speaking, chattels are all items of movable and tangible property. Crops, livestock, equipment, furniture and appliances are included in chattels. Goodwill is not regarded as a chattel.

In adjusting the sale price to reflect the value of chattels, the true value of the chattels must be ascertained. It is imperative that the researcher be satisfied as to the true value of chattels, as there may be arrangements between vendor and purchaser to minimize that value in order to avoid payments of retail sales tax.

When the value of chattels is ascertained, that amount is deducted from the total consideration to reflect the amount paid for the real estate only.

A second type of adjustment may have to be considered when analyzing a sale in which only a part interest has sold. The usual situation where this occurs involves sales of income properties where a tenant holds a long lease which has some years to run. At the time of sale the actual rent paid by the tenant is less than the current rent in the market. In a situation like this the total value of the property is now comprised of two interests — the owner's interest comprising the actual income capitalized into a value, and the tenant's interest made up of the difference between the actual rent paid and the market rent current at the time of sale. This difference in realized income over the remaining period of the lease is discounted to the date of sale (using appropriate rates of return) to arrive at the present value of the tenant's interest. A simple method of establishing comparability for such sales is to compare the percentage difference between actual and market rents for each individual transaction.

Another example of a part interest sale would involve transfers to and from partners. These may legitimately be used if few sales are available but the amount paid for such portions should be treated with caution because various degrees of liability are possible within partnerships.

The last example of a transactional adjustment involving *what* has sold concerns sales where more than one property is involved. These sales can sometimes be used if the deed specifically attributes separate values to the properties, or the mortgage documents relevant to

the sale assign individual values. It should be noted, however, that the transfer of a large portfolio of properties may involve somewhat of a wholesaling effect or may indicate a desire of the seller to dispose of an unprofitable combination of properties.

It is not generally advisable to attempt to make adjustments to sales where intercorporate or interfamily involvement is discovered. These sales may be utilized by appellants within the appeal process, in an attempt to achieve a lower estimate of value. Therefore, documentation and investigation of the circumstances concerning the sale may be necessary and an estimate of the market value of the property, assuming it were to sell on the open market, should be prepared and substantiated, in order to offset the effect of the documented (but unacceptable) sale.

There are two types of income-producing property sales for which adjustments are sometimes made. These are redevelopment sales after which considerable renovation takes place, or the improvements are demolished and replaced with new structures. In the former case where renovation follows a sale, the standard of comparison often utilized involves computing the difference between the income gained from the property before and after renovation compared to the cost of the renovation amortized over the new remaining economic life of the improvement. This return, however, is not strictly comparable to a sale in which the current or expected income stream is being purchased without substantial renovation. Nevertheless, it may indicate the cost of obtaining a certain return. Certainly adding the cost of renovations to the original purchase price is an overly simplistic method of analyzing such sales.

In the case of sales where land assembly and/or subsequent demolition takes place there is frequent controversy as to whether the cost of clearing and/or preparing the land should be added to the acquisition price for the property. If the sale document specifies the seller is responsible for demolition, the answer is no.

On the other hand, if the buyer has to pay for the cost of demolition, it is the opinion of the authors that this cost must be added to the sale price in order to arrive at total acquisition value.

Two comments should be made here regarding land assembly sales. If the scale of the land assembly is large, the acquisitions may take place over a considerable time period requiring some type of temporal adjustment. As well, the last few sales may reflect excessively high values, because knowledge of the assembly leads to increasingly harder bargaining on the part of sellers. The purchaser may be forced to pay inordinately high prices to complete the assembly. These sales should be compared to the others on a frontage or unit area basis and rejected if necessary.

The last type of transactional adjustments that are to be considered involve *how* the buyer remunerates the seller. To the extent that sales involve transfers of securities or foreign currencies rather than more common means of payment the analyst may be required to evaluate the equivalent local currency or exchange rate. This is fraught with difficulty especially during periods of exchange fluctuations and security market instability.

The more common problem of this type which the sales analyst encounters involves accounting for differences in mortgage financing. Frequently these

differences will cancel one another out. For example, a slight difference in interest rate may be offset by varying amortization periods, frequencies of payments and/or compounding periods. For mass appraisal purposes these details may seem too complex or trivial to be of importance. Fee appraisers often resort to the mortgage equity technique to overcome the problem. Unfortunately, some of the assumptions necessary for the technique (i.e. future resale value, future or stabilized income) create problems which more than offset the advantages offered by mortgage-equity methods.

Several simple alternatives are available in order to ensure the relative comparability required for mass appraisal. The suggested technique consists of computing a number of simple summary ratios such as the mortgage ratio (ratio of total outstanding mortgages to sale price or market value) and various carrying cost ratios (total mortgage carrying costs as a percentage of sale price and/or gross or net income). The carrying cost ratios are good surrogates for all the various mortgage terms. The only cases where such measures are inadequate are mortgages with variable interest rates, variable terms, or those which are of the non-amortizing variety. These result in differential carrying costs which are not always predictable by the analyst.

In conclusion it may be said that many essential comparisons can be made on sales without specific transaction adjustments. Only in the case where sales are few in number should transaction adjustments be made and these should be carried out with great caution.

### Non-Transactional Adjustments

The most obvious non-transactional adjustment is for location. Given the larger geographic scale upon which markets of income properties operate, adjustments for location may have to be considered. Such an adjustment may be necessary when the researcher has access to a limited number of sales, and also where the purpose for the analysis is very specific, as, for example, justifying a valuation for a prospective purchaser. Therefore, an element of subjectivity is introduced as a result.

If, in the mass appraisal situation, there is a need for adjusting a sale on account of location, those locational grounds must be clearly defined, and the methodology and factors must lend credence to the end result. Should, for instance, an industrial sale be adjusted because of distance from access routes, every attempt must be made to show how that difference was arrived at, as invariably, the sale price itself may already have reflected that access difference.

The other main area in which non-transactional adjustments must on occasion be made are in terms of what is the physical nature of the property site and/or improvements. For example a lack of sufficient sales may require the analyst to utilize properties of similar use but with improvements of dissimilar age or size. The coverage (ratio of building area to land area) may vary. (This occurs frequently in the case of suburban office buildings and industrial sites.) Adjustments of this type

necessitate calculation of units of comparison such as sale price per square foot, coverage, etc. The traditional residual techniques found in most appraisal textbooks essentially are methods designed to adjust for some of the variations. Once again, some of the assumptions such as estimates of remaining economic life, the use of varying rates of return to land as opposed to improvements, and the attempt to segregate building values from land values — create conditions in which mass appraisal practitioners often feel uncomfortable. Nevertheless, the methods are often useful in overcoming the difficulties created by lack of sufficient data. Regression techniques may offer another alternative to assist in determining the relative degree of adjustment to be made for these various physical factors.

The last major problem in this area concerns the close scrutiny of sales documents and parcel registers to ensure that the analyst realizes what is being sold — land, building(s) or both. In some urban areas properties are subject to land leases and sales may involve only a transfer of the improvements to the site. When these transactions occur, the document(s) may contain only vague references to the fact that only the improvements were sold. In such situations an assignment of lease documents may be subsequently registered. The sellers and buyers often decide to attribute one price for the improvements and another for the purchase of the remaining years of the land lease or they may combine these two figures as one sum on one document. Therefore, the analyst should examine the parcel register carefully to ascertain the true (and total) amount involved in the transaction.

On other occasions a sale of a land lease may occur. This type of sale is not strictly comparable to a sale of unleased land because the purchaser is not only buying land — he is buying out the remaining interest of the lessee as well.

### Conclusions

The income-producing property sale must meet more rigorous standards of comparability than other types of property sale. This may in turn lead to a smaller number of comparable sales. As a result, some adjustment may be required. These adjustments must, however, be made cautiously and be capable of standing rigorous scrutiny acceptable to courts, laymen and practitioners alike. □

### Footnotes

<sup>1</sup> In a recent A.R.C. case *Kresge vs. Regional Commissioner, Region Number 9*, a sales agreement for a transaction not to be finalized until 1980 was considered as relevant.

<sup>2</sup> All corporations that carry on business in Ontario must be registered with the Ministry of Consumer and Corporate Relations even though the company may be incorporated elsewhere. Where the company is incorporated outside of Ontario but within Canada, a copy of the articles of incorporation may be obtained from the Federal or Provincial ministry responsible. A list of these incorporating offices is given in the publication "Analysis of Commercial and Industrial Sales — Part 1 Data Collection".

# DATA BASE

## MUNICIPALITIES REQUEST SECTION 86 IMPLEMENTATION

The Honourable Lorne Maeck has announced that the Cambridge municipal council has passed a resolution formally requesting the Ministry of Revenue to apply Section 86 of *The Assessment Act* to the assessment of all property in the City of Cambridge.

The announcement follows a period of concern in the City of Cambridge that assessment inequities are seriously eroding the tax base and creating unfairness in certain instances of property tax levies. While this approach will not result in any property tax shifts from one class of property to another, Mr. Maeck concluded: "I am confident that the judicious application of Section 86 will provide an appropriate solution to the assessment problems currently facing Cambridge."

Similar resolutions have been passed by the councils of the Cities of Hamilton, Kitchener and Timmins; the Towns of Newcastle and Rainy River; the Village of Stirling; and the Townships of Burford, North Dumfries, Uxbridge, Wellesley, Wilmot and Woolwich.

• • •

## GRADUATES OF THE MAPPING COURSE

The following personnel of the Assessment Division have successfully completed the *Principles of Assessment Mapping – Edition Eight* course:

Region 1: G. Wayne Francis  
Region 3: Scott McKeever  
Guy Frederick  
Region 4: G. Brian Walton  
Region 6: D. L. Jones  
Region 7: Rick Harrison  
Velma Wilson  
Les Miner  
Region 12: A. Almeida  
Gwen Usher

Region 13: Phyllis Cruess  
Joan Young  
Region 18: Robert Locke  
Region 23: Diana Graham  
James Huston  
Region 24: Elizabeth Harris  
Region 27: Don Shuttleworth  
Region 28: Joanne Dufresne  
Region 29: Sergio Dibattista  
Region 32: Brian Nordlund

• • •

## IAAO DEVELOPS SELF-EVALUATION EXAMINATION

The International Association of Assessing Officers has developed the Self-Evaluation Examination on Real Property Appraisal (SERPA).

SERPA is an examination consisting of two hundred multiple-choice questions providing comprehensive coverage of appraisal and assessment concepts and practices. The questions range in difficulty from simple recall to complex calculations and are designed to test knowledge, comprehension, and application of appraisal information. SERPA is not an examination to be studied for and is intended to be taken without reference to study material.

Upon completing the examination, the participant returns the answer sheet to IAAO, where it is scored and analyzed by computer. A detailed, confidential analysis of your results will be sent directly to you.

For further information contact the IAAO Education Department, 1313 East 60th Street, Chicago, Illinois, 60637.

• • •

## CARL MADGETT HONOURED BY I.A.A.O.

Carl J. Madgett, Area Administrator with the Field Operations Branch, was awarded the *Most Valuable Member Award* by the International Association of Assessing Officers at their convention in Toronto. Part of the inscription reads:

### CARL J. MADGETT, CAE

as a member who, by reason of his untiring and outstanding work on behalf of the International Association Officers is most entitled to receive the

### Most Valuable Member Award

*Aspects* congratulates Carl for an award well deserved. It is a capstone of an assessment career that is both long and distinguished.

*Aspects* has learned that Carl also plans to retire as of December 1, 1978. It is characteristic of Carl that his definition of "retirement" is what most people would call embarking on a new career.

*Aspects* wishes Carl a successful and pleasant retirement.

• • •

## TE — IGA?

Following the resignation of The Honourable W. Darcy McKeough, Treasurer of Ontario and Minister of Economics & Intergovernmental Affairs, there has been a change in his former ministry. TEIGA is now divided into two constituent parts. The new Treasurer is the Honourable Frank Miller and the Honourable Tom Wells succeeds Mr. McKeough as Minister of Intergovernmental Affairs.

• • •



# Brandywine Village: Getting a Lot Out of a Lot

G. E. Hawkes  
Z. Majewski  
Scarborough-East York  
Regional Assessment Office

Brandywine Village, just south east of the Metro Toronto Zoo in Scarborough, represents a new trend in lower-cost housing. The project, based on a concept known as zero lot line land use, allows wide versatility for placing houses on small lots. The resulting reduction of lot size can bring down the cost of individual houses by as much as \$15,000. Maybe by describing the project in Scarborough, we can show what zero lot line developments offer.

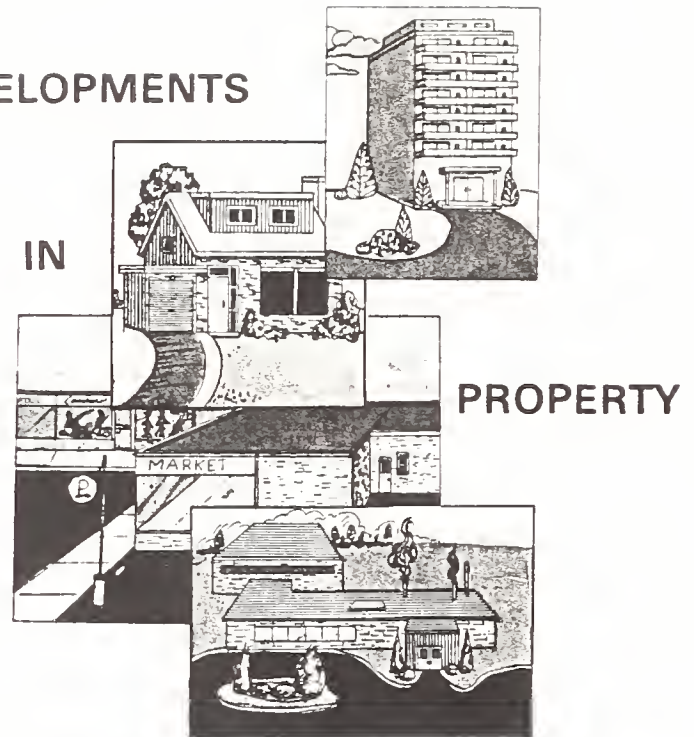
In February of 1977 the Victoria Woods Development Corporation submitted its plan for Brandywine Village to Scarborough's Planning Board. Although Scarborough Council considers the project as something of an experiment, Mayor Paul Cosgrove said, "I supported this particular proposal because we've got a large, reputable firm that has demonstrated its willingness to hire the best design talent in North America to ensure that the thing is a success."

The council, a little wary of the scheme, considered it a compromise at the time. They accepted the developer's contention that the market for high rises and condominiums (originally planned for the site) had changed since the plans were introduced in 1973. Market studies show that freehold housing is preferred over condominiums, and studies of luxury zero lot line projects in California show that there is encouraging precedent for the technique.

In Ontario, the developments in Windsor (Riverside) and Brampton, just west of Toronto, have allowed Scarborough planners to see the concept in operation. Ontario's Ministry of Transportation and Communications scrutinized the zero lot line developments and its regional planning office released a report — "User Study: Zero Lot Line Concept" which is available through the Ontario Government Bookstore at \$2.00.

The study shows that residents who already live in the developments are generally satisfied with the level of privacy and reduced space. Flaws, such as awkward or limited window areas have been overcome in the later projects as developers gain experience with the technique. The aim is to prove that privacy is not dependent upon space. (It is something that Europeans, with their limited urban space, have always known.) By staggering placement of the houses, privacy is possible even on small lots.

## DEVELOPMENTS



This kind of alteration in site planning calls for modifications of building codes and so far, several municipalities in Canada have considered the resulting saving on homes and land-servicing to be worthwhile. The servicing and development costs on more efficiently used land are minimized. For example, since zero lot line houses cover proportionately more of the lot, and the lots themselves are smaller, storm water run-off is lessened and sewer levies can be reduced, as in the case of Scarborough. In a vote of 10-2 Scarborough council agreed that these houses should be assessed at \$650 each for sewer levies, as opposed to \$1,100 for similar houses on conventional lots.

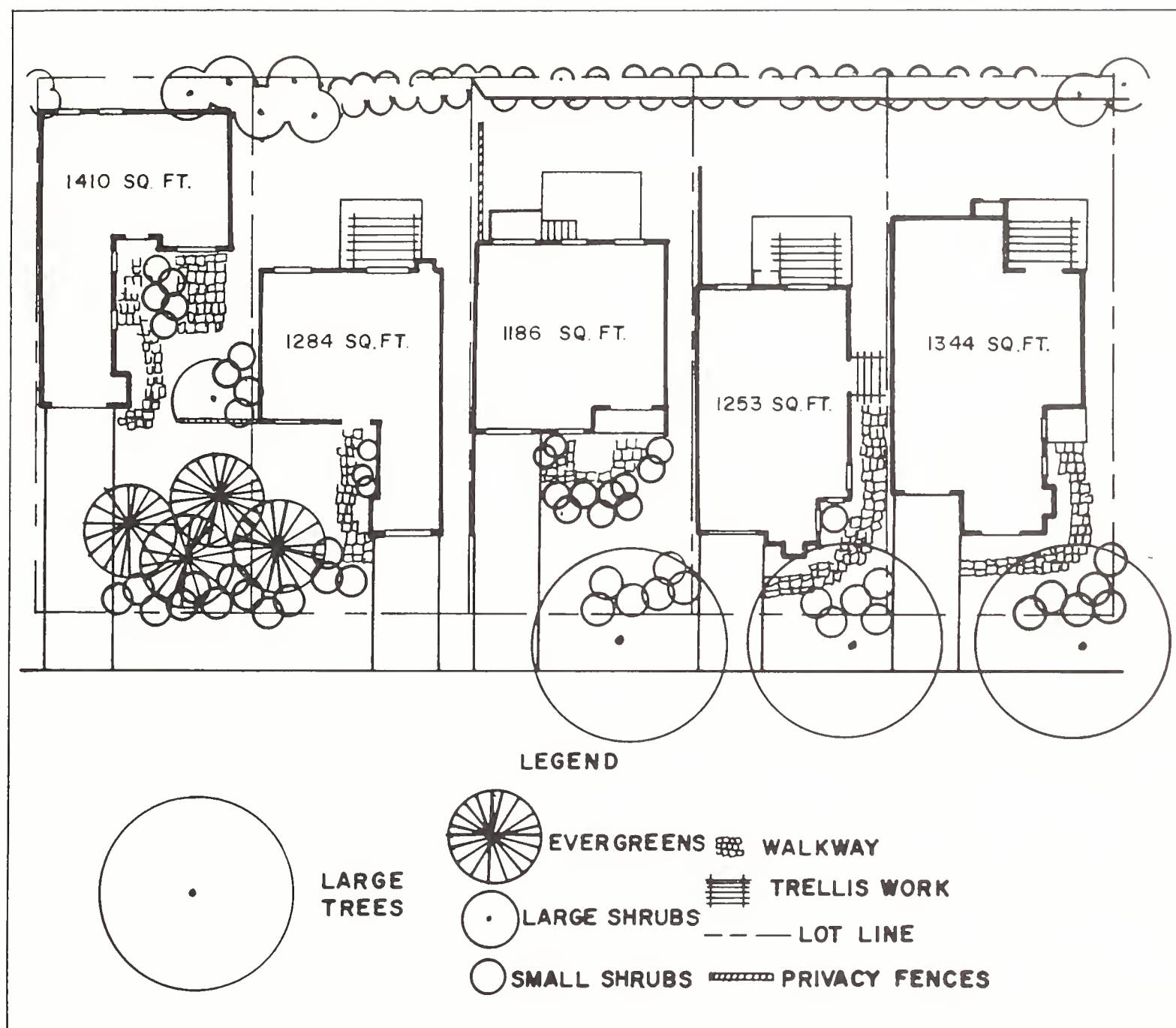
Scarborough's official plan has been amended with by-laws which allow elimination of largely wasted space for side-yards and drive ways. The amendments allow such things as:

"minimum lot frontage on a public street of 17 feet (21 feet on a corner lot) and a minimum lot area of 2,000 square feet."

The largest cost saving comes from increased density on the site. The 6.7 acre Scarborough site has a density of 10-11 units per acre whereas conventional density is around 5 units per acre. Lot sizes in the Village range from 2,200 to 2,700 square feet, as compared to the normal lot size of approximately 5,500 square feet for detached dwelling units. A sample of the coverage is as follows:

| LOT AREA<br>SQ. FT. | BUILDING<br>AREA SQ. FT. | COVERAGE<br>PERCENT |
|---------------------|--------------------------|---------------------|
| 3886                | 920                      | 23.67               |
| 2718                | 960                      | 35.32               |
| 2804                | 1203                     | 42.90               |
| 2543                | 960                      | 37.75               |

Cost savings are also increased by reducing road widths — down to 50 feet from the conventional 66 ft. The use of cul-de-sacs and dead end streets cuts out through-road traffic and the problems associated with it. While sidewalks are reduced, the User Study found that too great a reduction in sidewalks is unpopular so many streets have sidewalks on one side. The land is



Site Plan — Brandywine Village

graded to allow a natural run-off of surface water, eliminating expensive storm sewers. See the (attached) site plan which shows the layout of streets, siting of houses etc.

Although the Scarborough site was not ideal, because of the earlier plans to build condominiums, the User Study says that planning for this kind of development should be done before property lines are established. It says:

"Units are sited in optimum relationship to each other on the undivided land parcel, before property lines are established."

Privacy is established on the site by the overall attention given to windows and walls and the imaginative placement of trees and fences. Special attention to the location of windows means that walls which adjoin the lot line of the property will have no windows on the first floor. Where possible, second story windows are directed away from adjoining gardens although the User Study found that this was

not strictly necessary. This means that small, private gardens and outdoor living areas are possible, and while houses have less actual space around them, privacy is generally increased.

The 71 houses (seven models in all) in Brandywine Village will sell for between \$67,990 to \$76,490. The least expensive of the homes is the Brierwood model. It is a retirement home consisting of a one-bedroom bungalow with den or optional second bedroom. The most expensive is the Birchwood, which is a 2 storey, 3 bedroom detached dwelling.

At a Housing Workshop held in Ottawa last spring, panelists urged councils to consider greater zoning flexibility so that costs can be kept down. The User Study quotes an estimated 40 percent saving on site development and servicing costs for zero lot line projects. Expectations for space have changed among home buyers. With this kind of mood prevailing, as cities spread and land costs become difficult to carry, zero lot line housing may become an increasingly attractive proposition. □

## Grand Cove Estates:

### Where Mobile Homes *Are* An Improvement

Ken Fagan  
Clare Lawrence  
Huron-Perth Regional Assessment Office

The continued escalation of the price of housing in today's society has made home ownership practically impossible for those just entering the housing market. Rising maintenance costs and high taxes have turned the dream of a retirement home into a nightmare for many senior citizens.

The confinement and lack of individual character inherent in most apartment units renders them unattractive to a substantial percentage of first time home purchasers and the retired senior citizen group. Mobile home park developers have recognized these problems and have provided a low cost alternative form of housing. Public acceptance of mobile home parks is reflected in Huron County where the number of sites made available for these mobile home units has increased by over 300% since 1975.

Single wide units scattered throughout the municipalities of Ontario once characterized mobile home living. As the industry grew these individual units were gradually replaced by Mobile Home Parks. Due to the sometimes poorly planned layout and inappropriate

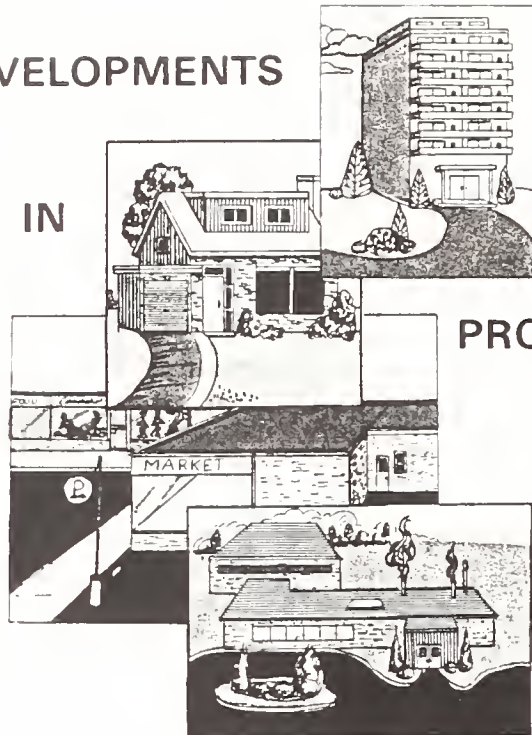


Typical double unit mobile home in Grand Cove estates.

## DEVELOPMENTS

IN

PROPERTY



location of these parks the Province found it necessary to enact Legislation to correct this situation. Effective June 1, 1977 Section 35-C was added to the *Planning Act* which regulates Mobile Home Park development.

Two mobile home parks which existed prior to the recent legislation, and exemplify proper planning and development are Sandycove Acres southeast of Barrie and Grand Cove Estates located at Grand Bend. These parks developed by Rice Construction Co. Ltd. and The Royal Bank and their associates are considered first class Mobile Home Park Developments and are probably two of the best in the province.

The latter, Grand Cove Estates, is located in Huron County, and, since its inception, its development has been followed by the Huron-Perth Regional Assessment Office. Grand Cove Estates is a mobile home park development located on some eighty-eight acres of land in the Township of Stephen. Phase One will contain two hundred and ninety-six units with approximately two hundred currently sold and assessed. The eventual size of the park will be seven hundred and twenty-five units which includes expansion into fifty acres within the boundaries of the Village of Grand Bend.

The park is a self-contained adult community consisting of double wide mobile homes manufactured in the Village of Hensall, about fifteen miles from the park. Home sizes vary from 22' x 36' to 22' x 48' and are moved to the site in halves and then assembled. A large recreational facility is located on the property, where residents enjoy such amenities as shuffle board, billiards, craft shops, exercising equipment and swimming.

The process of transforming a barren tract of land into a mobile home park in harmony with the municipality is a good deal more complex than the layman would assume. Apart from the accepted prerequisites of financing and land acquisition the developer must place himself within the four corners of both municipal and provincial regulations. What follows is a highlighted account of the Grand Cove Estates' contact with the Township of Stephen, the Village of Grand Bend and the various provincial bodies concerned with mobile home park development.

## Chronological History Grand Cove Estates/Township of Stephen

|               |                                                                                                                                                                                                                                                                  |              |                                                                                                                                                                             |
|---------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| November/73   | — Ministry of Environment (M.O.E.) Preliminary Approval for lagoon and spray irrigation system.                                                                                                                                                                  | November/75  | — sewer system and submission brief supporting village system.                                                                                                              |
| December/73   | — Township of Stephen passed By-law to enter into development agreement and to regulate and control Mobile Home Parks.                                                                                                                                           | April/76     | — O.M.B. approval Grand Bend municipal sewer system.                                                                                                                        |
| January/74    | — Engineers authorized to proceed with design for first phase, 300 units.                                                                                                                                                                                        | June/76      | — Public meeting regarding Grand Bend Official Plan and zoning By-law.                                                                                                      |
| April/74      | — Proposed final engineering plans submitted to Township of Stephen.                                                                                                                                                                                             | June/76      | — Draft approval Grand Bend Zoning By-law, sent to O.M.B.                                                                                                                   |
| April-May/74  | — Tender call.                                                                                                                                                                                                                                                   | January/77   | — Completion top course asphaltting Phase I, Grand Cove.                                                                                                                    |
| May/74        | — Tender awarded to a London Excavating Firm.                                                                                                                                                                                                                    | February/77  | — Submission of design plans to M.O.E. for lagoon discharge to Walker Drain. Hwy. #81 installation in accordance with Grand Bend municipal sewer system.                    |
| May/74-Dec/74 | — Construction — Phase I — servicing for 300 units completed to base course asphalt. First units installed.                                                                                                                                                      | March/77     | — Review by Grand Cove consultants of draft secondary plan. Township of Stephen and submission of revised version of Mobile Home Section.                                   |
| October/74    | — Final application for approval spray irrigation system submitted to M.O.E.                                                                                                                                                                                     | April/77     | — Acceptance by Huron County Planning Department of revised mobile home park section to Township plan.                                                                      |
| November/74   | — Approval Certificate received from M.O.E. for spray irrigation system.                                                                                                                                                                                         | May/77       | — Construction of lagoon discharge pipe, Hwy #81 to Walker Drain.                                                                                                           |
| January/75    | — Request to M.O.E. to schedule Environmental Hearing Board hearing for seasonal lagoon discharge to Walker Drain                                                                                                                                                | May/77       | — M.O.E. Certificate of Approval for lagoon servicing maximum of 430 units.                                                                                                 |
| February/75   | — Meeting M.O.E. representatives and Grand Bend Council to confirm future course Grand Bend sewage program. Estimate system in operation November/76. Oversizing to accommodate Grand Cove Estates confirmed with developer agreeing to absorb oversizing costs. | May/77       | — Second reading of Stephen Township secondary plan. Zoning By-law amendment for mobile home site to be deferred until fall/77 and submitted coincident with approved plan. |
| March/75      | — Submission final plans to M.O.E. for lagoon discharge to Walker Drain.                                                                                                                                                                                         | May/77       | — Construction lagoon cutfill pipe in conformance with future Grand Bend sewer system requirements.                                                                         |
| July/75       | — Environment Hearing Board hearing to discuss twice yearly discharge of sewage lagoons to Walker Drain. Subsequently approved.                                                                                                                                  | May/77       | — Contact with Huron County Planning Department, third reading of Stephen Township Secondary Plan not due till fall/77.                                                     |
| August/75     | — Public meeting regarding Grand Bend Official Plan.                                                                                                                                                                                                             | September/77 | — Check with Township of Stephen indicates secondary plan has not yet received 1st and 2nd reading.                                                                         |
| September/75  | — M.O.E. preliminary certificate of approval for lagoon discharge.                                                                                                                                                                                               | August/78    | — Confirmed Stephen Township Secondary Plan.                                                                                                                                |
| October/75    | — Attendance at O.M.B. hearing Grand Bend                                                                                                                                                                                                                        |              |                                                                                                                                                                             |

Today, five years later, Grand Cove Estates is developing at its projected rate of growth.

What attracts people to Grand Cove? Grand Cove Estates is a retirement community and as such, it differs in nature from most mobile home parks.

Listed below are some of the regulations which make this community unique:

- 1) Controlled Adult Mobile Home Park Community.
- 2) It does not permit single wide units — they must all be double wide units (sold by the developers).
- 3) Landscaping is carefully restricted.
- 4) No one can fence his yard or plant a hedge around its perimeter.
- 5) The development does not permit outside utility buildings, except as provided by the Park.
- 6) Parking of vehicles is strictly controlled to two parking sites per home plus visitors' parking.
- 7) The style of homes is controlled to blend with the community.
- 8) All internal operations are privately owned and maintained. The developer is responsible for paved roads, curbs, sewers, watermains, underground power lines, central TV antenna, street lights,

storage locker facilities, open space areas, community centres, commercial facilities and other services normally rendered.

- 9) The development is located less than an hour's drive from the cities of London and Sarnia and within walking distance of an excellent 18 hole golf course and the sandy beaches along Lake Huron.

The mobile home park established, the developer must now meet with the Regional Assessment Office, whose responsibility it is to ensure equitable assessments for municipal taxation. The assessor in Ontario has laboured through a difficult period since the first mobile unit rolled off the assembly line. Since 1970 the assessability of the mobile home has been challenged at various court levels.<sup>1</sup> The latest, the case of Susanna Maude Johnston and Sault Ste Marie Board of Education and the Regional Assessment Commissioner, Region No. 31 (D.Ct. March, 1978 — unreported), establishes the inclusion of mobile homes under Section 1 (k) (iv) of *The Assessment Act*.

The valuation of mobile homes is still a problem although their assessability is now accepted. Neither single wide nor double wide units conform to the

conventional valuation manual. In addition, record of the purchase of mobile home units does not reach the assessor as the owners are, as a rule, tenants of the land. To establish properly the value of mobile units in a given year the assessor must interview the owners of the units and all parties engaged in the selling of the units. In so doing he is able to adjust properly the sales data. The market value of the various mobile units secured, an assessment to sales ratio for the same year is developed for a specific municipality. This ratio can now be applied to the market value of each unit producing an equitable assessment.

The land value is then developed by an analysis of the ground rent and expenses. This enables the assessor to arrive at a net income which, when capitalized, will produce a market value per site for each camp. This value is then related to the current level of assessed values on similar property in the municipality.

The combination of the site value and the unit value becomes each tenant's assessment which appears on the Assessment Roll.

The above approach has been employed in the valuation of mobile home parks including Grand Cove Estates. To date the Assessment Review Court has accepted this approach for assessment purposes and no appeal has been pursued to a higher tribunal. □

## Notes

<sup>1</sup> *Major Cases Relating to Assessability of Mobile Homes*

Denis Hill — *Hill's Mobile Village* and the Assessment Commissioner for the United Counties of Stormont, Dundas and Glengarry. (C.J. Feb/70)

Douglas Perrin and The Corporation of the Township of Murray (OMB July/71)

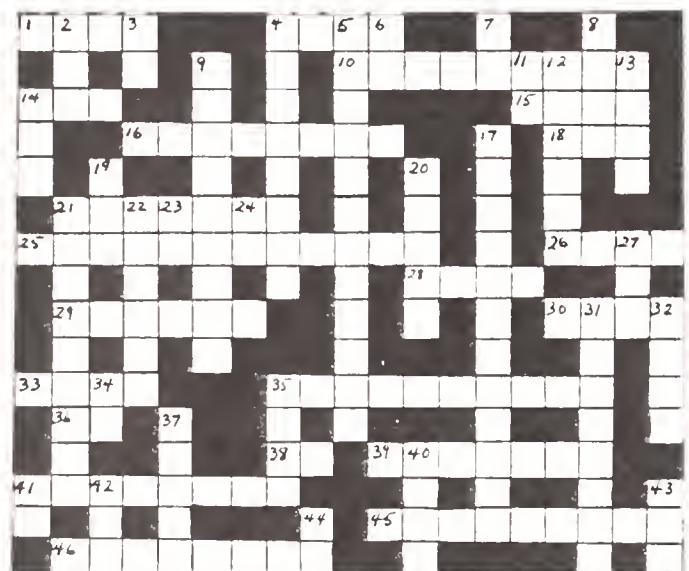
Frederick Rupert, Marilyn Rupert, et al and Sault Ste Marie Board of Education and Regional Assessment Comm'r. Region #31 (D.Ct. Sept/74)

Susanna Maude Johnston and Sault Ste Marie and the Regional Assessment Commissioner, Region #31 (D.Ct. March/78)

## PLAYING THE GAME

The following puzzle consists almost exclusively of assessment terminology and abbreviations, in a form quite popular with assessment staff — the crossword. Each clue includes two definitions: the first is the meaning that a non-assessor would give to the term; the second is what an assessor would understand the same word to mean. Go to it!

By: Polly Fitzgerald Hoy  
North York Assessment Office



## ACROSS

1. NON-ASSESSOR: (Abbr.) *The area of the city that's close to home and familiar*  
ASSESSOR: *A new system of organizing assessment into geographical areas instead of by type of building (some assessors' definitions of the new system would be unprintable)*
4. NON-ASSESSOR: *What a secretary must be able to do*  
ASSESSOR: *A building classification*
10. NON-ASSESSOR: *The process of giving a newcomer the once-over*  
ASSESSOR: *Property evaluation*
14. NON-ASSESSOR: *The shape of a rainbow*  
ASSESSOR: *Abbr. for the court that hears assessment appeals*
15. NON-ASSESSOR: (2 wds., hyphenated) *How you feel on a gray Monday morning*  
ASSESSOR: *Ditto*
16. NON-ASSESSOR: *Something measured in thousandths and used to determine taxes*  
ASSESSOR: *The usual scapegoat to take the blame when taxes increase*
18. NON-ASSESSOR: (Abbr.) *Federal Housing Authority*  
ASSESSOR: *A type of heating*
21. NON-ASSESSOR:  
ASSESSOR: *A fairly common kind of roof*
25. NON-ASSESSOR:  
ASSESSOR: *A fancy word for the scarcity or abundance of windows in a building*
26. NON-ASSESSOR: *Transportation up the ski slopes*  
ASSESSOR: *A type of ceiling suspension*
28. NON-ASSESSOR: *The high \_\_\_\_\_ of living*  
ASSESSOR: *One assessment approach*
29. NON-ASSESSOR: *By-laws specifying the types of buildings permitted in particular areas*  
ASSESSOR: *Ditto*
30. NON-ASSESSOR: (Abbr.) *International Monetary Association of Ontario?*  
ASSESSOR: *An organization to which assessors can belong*

33. NON-ASSESSOR: *One single cohesive whole*  
ASSESSOR: *What the second letter in the assessor's definition for 40-DOWN stands for*
35. NON-ASSESSOR: *Changing religious affiliation*  
ASSESSOR: *Changing land use; e.g. from residential to commercial*
36. Same as 34-DOWN
38. NON-ASSESSOR: (Abbr.) *Film category meaning 'parental guidance'*  
ASSESSOR: *Code standing for 'provincial government'*

## DOWN

2. NON-ASSESSOR: *A noise made in response to a plunging thermometer*  
ASSESSOR: *Abbr. for a type of roofing*
3. NON-ASSESSOR: (Abbr.) *Initials of the actor who starred in the TV series "McCloud"*  
ASSESSOR: *A common kind of wall finish*
4. NON-ASSESSOR: *Just another day of the week*  
ASSESSOR: *Sometimes it's --- payday!*
5. NON-ASSESSOR: *Interior walls forming separate rooms*  
ASSESSOR: *Ditto*
6. NON-ASSESSOR: (Abbr.) *Rich man Taylor's first two initials*  
ASSESSOR: *Employee parking*
7. NON-ASSESSOR: (Abbr.) *A degree once considered a job guarantee*  
ASSESSOR: *The percentage of assessment used to calculate business tax*
8. NON-ASSESSOR: *Track and field event*  
ASSESSOR: *Type of plate; also known as a tenant's plate*
9. NON-ASSESSOR: *A clerical job involving organizing files*  
ASSESSOR: *Ditto*
11. NON-ASSESSOR: *The singular form of 'are'*  
ASSESSOR: *Ditto*
12. NON-ASSESSOR: *Misspelling of the words 'saw fit'*  
ASSESSOR: *The underside of an overhanging roof*
13. NON-ASSESSOR: *A heavy burden*  
ASSESSOR: --- bearing; one type of exterior wall
14. NON-ASSESSOR: *Commercials*  
ASSESSOR: *Abbr. for assessment data sheet*
17. NON-ASSESSOR: *Market value assessment*  
ASSESSOR: *Reform of the method of determining assessment, long awaited but long delayed since it's political dynamite; any mention of it in the assessment offices is now accompanied by a sigh and the chorus from "The Impossible Dream"*
19. NON-ASSESSOR: *Ardent follower*  
ASSESSOR: *Mechanism for circulating air*
20. NON-ASSESSOR: (Abbr.) *Upkeep*  
ASSESSOR: *A service that may or may not be covered by rental payments*
21. NON-ASSESSOR: *A partial floor in between two others*  
ASSESSOR: *Ditto*
22. NON-ASSESSOR: (2 wds.) *Something used for catching fish-fish*  
ASSESSOR: *One kind of lease*
23. NON-ASSESSOR: (Abbr.) *Nazi military group*  
ASSESSOR: *Common material used in sinks*
24. NON-ASSESSOR: (Abbr.) *Initials of a former movie star who became governor of California*  
ASSESSOR: *A finished room in the basement*
27. NON-ASSESSOR: (Abbr.) *Exposure time for film*  
ASSESSOR: *The American Standards Association*
31. NON-ASSESSOR: *The religious life*  
ASSESSOR: *Term meaning government department*
32. NON-ASSESSOR: (Abbr.) *Out With Stale Jokes?*  
ASSESSOR: *Joists commonly used in industrial warehouses*
34. NON-ASSESSOR: (Abbr.) *The initials of the actress who played the grandmother on "The Beverley Hillbillies"*  
ASSESSOR: *Iron railing*
35. NON-ASSESSOR: *Small containers for drinking tea*  
ASSESSOR: *Abbr. for concrete uncovered porches*
37. NON-ASSESSOR: (Abbr.) *Ratepayers Can Not Lie Down?*  
ASSESSOR: *A building's replacement cost minus the depreciation*
40. NON-ASSESSOR: *Your job seems most rewarding when you get ---*  
ASSESSOR: *Ditto*
41. NON-ASSESSOR: *Two letters that sound like the words 'are you'*  
ASSESSOR: *Code for any two or more rooms being used as a home*
42. NON-ASSESSOR: *A girl's nickname*  
ASSESSOR: *Abbr. for a type of file containing information on assessed properties*
43. NON-ASSESSOR: *What comb and bomb have in common*  
ASSESSOR: *Abbr. for the Ontario Municipal Board*
44. NON-ASSESSOR: *Initials of Sesame Street's Oscar the Grouch*  
ASSESSOR: *Abbr. for 'on ground'*

□

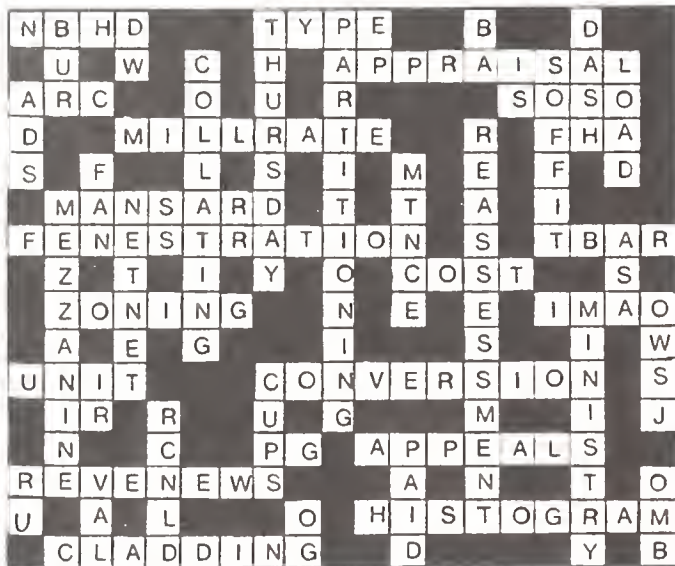
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## Solution to Crossword Puzzle

## REGIONAL DELEGATES

for

aspects

### Eastern Ontario Assessment Area

1. Prescott & Russell-Stormont  
Dundas & Glengarry — Mr. H. Morris
2. Lanark-Leeds & Grenville — Mr. G. Grey
3. Ottawa-Carleton — Mr. H. Hafenbrack
4. Renfrew — Mr. H. R. Barkell
5. Frontenac-Lennox & Addington — Mr. K. Froats
6. Hastings-Prince Edward — Mr. J. A. Smith
7. Haliburton-Peterborough-Victoria — Mr. J. Guerin

### Central Ontario Assessment Area

9. City of Toronto — Mr. N. Stamboulie
10. North York — Ms. Diane Hearse
11. Scarborough-East York — Mr. D. Struke
12. Etobicoke-York — Ms. C. Farr
13. Durham — Mr. B. Robinson
14. York — Mrs. C. Shaw
15. Halton-Peel — Mrs. Barbara Trotter
16. Simcoe — Mr. M. Lumsden
17. Muskoka — Mr. R. McCann

### Western Ontario Assessment Area

18. Niagara — Mr. J. Harriman
19. Wentworth — Mr. R. Davey
20. Brant-Haldimand-Norfolk — Mr. J. Huff
21. Waterloo — Mr. C. Meadows
22. Dufferin-Wellington — Mr. I. Dunlop
23. Elgin-Middlesex-Oxford — Mr. R. Scott
24. Huron-Perth — Mr. D. A. Steep
25. Bruce-Grey — Mr. H. Twigger
26. Kent-Lambton — Mr. B. H. Seney
27. Essex — Mr. J. Storey

### Northern Ontario Assessment Area

28. Nipissing-Parry Sound — Mr. L. Warner
29. Cochrane-Timiskaming — Mr. A. Young
30. Manitoulin-Sudbury — Mr. I. McJannet
31. Algoma — Mr. F. St. Jules
32. Kenora-Rainy River-Thunder Bay — Mr. I. Zhiha

## DISTRIBUTION

*Aspects* is published quarterly, in the fall, winter, summer and spring. It is distributed without charge to all assessors and students of assessment administration. Interested persons outside the Assessment Division may be placed on *Aspects'* mailing list on request.

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## POLICY

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